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Toward A Better Understanding:
U.S.-JAPAN RELATIONS

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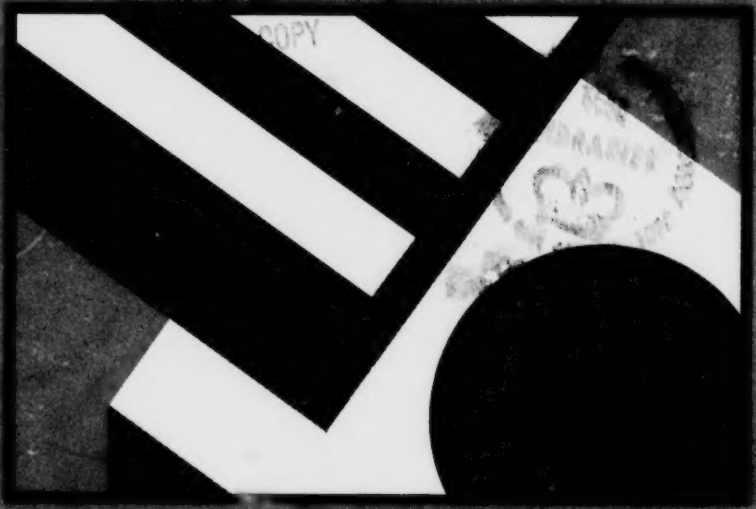

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Toward A Better Understanding:
U.S.-JAPAN RELATIONS

REPORT OF A CONFERENCE ON U.S.-JAPAN RELATIONS
SEPTEMBER 28-29, 1983

Co-Edited by
Diane B. Bendahmane
and Leo Moser

1946

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Preface: Dealing with the Japanese

Leo J. Moser

Americans often stereotype the Japanese as difficult to understand; tourists remark that Japanese taxi drivers will say yes when they mean no; and American businessmen commonly charge that cultural factors pose a constant threat to a clear implementation of negotiated understandings. Specialists in Japanese affairs would agree that Japan's modern culture is greatly different from that of the West, despite all the surface similarities. Below the surface there remain many cultural and historical influences that set the Japanese apart. However, Americans do not view the Japanese as hard to deal with on the substance of world issues in the way that they view the Russians. In fact, the United States and Japan enjoy a very strong bond of common interests and attitudes toward the world. In both economic and political philosophy, the two industrialized countries share most of the same basic orientations. The tie of a common security interest makes this association even stronger. Both sides greatly desire to avoid unnecessary cross-cultural misunderstandings—distracting "noise" in the communication channel.

The aim of this study is to help Americans better understand our relations with Japan and to explore ways in which those relations might be improved. It flows primarily from a symposium program held on September 28 and 29, 1983, at the Foreign Service Institute, although all papers have been updated to reflect subsequent events. (A copy of the symposium program is included here as Appendix II.)

Sponsored by the Center for the Study of Foreign Affairs (CSFA) and the School of Area Studies of the Foreign Service Institute, the symposium that triggered this study originated with a suggestion from the Japan directorate of the Department of State. It was designed to provide a fresh look at U.S.-Japan relations for those throughout the U.S. government who were then preparing the briefing books for President Reagan's visit to Japan—or who were otherwise scheduled to participate in consultations with the Japanese in connection with that visit. Among those invited to attend the symposium were the key practitioners of all U.S. government agencies involved in the planned visit. Many of these persons were by no means speakers of Japanese or specialists in Japanese affairs; instead they were persons engaged in our day-to-day relationship with Japan. In addition, the symposium brought together a major portion of all the U.S. government's "Japan specialists" available in the Washington area, including many retired from government service. As a consequence, the symposium represented a cross-generational event for Japan specialists as well—from U. Alexis Johnson, who was assigned to Tokyo in 1935, to Japanese language students at the Foreign Service Institute who only a few weeks earlier had begun their intensive study of the language.

Much of the content of the symposium took the form of debate among Japan specialists. That give-and-take is not all recorded here, since this work is not designed to document the proceedings of the symposium in any historical sense. However, much of the content of that debate has been folded into the articles here. Additional fragments, recording the views of those who were not principal speakers, but were discussants, moderators, or other participants, appear as inserts throughout the text. Many aspects of the discussion periods are also reflected in the two articles that I have prepared.

Among those to whom special recognition is most due, are Dr. Hattie K. Colton, Assistant Dean of the School of Area Studies, who played a major role in helping to conceptualize and organize the symposium, John R. Malott of the Japan directorate of the Bureau of East Asian and Pacific Affairs of the Department of State, and Herbert Levin of the Secretary of State's Policy Planning Council. Thanks go also to my co-editor Diane B. Bendahmane who prepared the abridgements of the speeches.

Each of the speakers at the symposium is represented by an article here, a shortened version of his or her remarks. We are thankful to them as well for up-dating their thoughts, since we want these observations to be as current and as relevant as possible.

Recognition must go as well to the various chairpersons of the two-day event. In some cases, their comments appear here only as short inserts, but their contributions were constant throughout our two days together. The chairpersons were (in addition to Dr. Hattie Colton and myself): Dr. George Packard, Dean of the School of Advanced Studies (SAIS); Dr. Eleanor M. Hadley of George Washington University; Thomas P. Shoesmith, currently Ambassador to Malaysia; and U. Alexis Johnson, former Ambassador to Japan (among his many important assignments in the U.S. Foreign Service) and now with the Atlantic Council of the U.S.A.

Biographic information on contributors appears at the end of this volume. A number of other people were present for these discussions but not directly quoted here: Robert Barnett, Thomas Hubbard, Ralph Clough, Ambassador Stephen Low, Hisao Matsunoto, Terisita Schaffer, Thomas Bleha, Toshio Tsukahira, Evelyn Colbert, Dr. Abraham Friedman, Ambassador William Gleysteen, James J. Przystup, Robert Kohls, and many others. Those officials of the U.S. government who spoke at the symposium did so on a personal basis and were not necessarily expressing any official view, neither the view of their agencies nor of the U.S. government in general. The goal of the symposium was to bring forward ideas, not statements of policy.

Quite a few works on Japanese affairs were discussed during the symposium. The bibliography at the end of each part is designed to report these works and others that are of value to an understanding of the issues and attitudes under discussion.

In a recent speech on U.S.-Japan relations, Ambassador Mike Mansfield[1] began by quoting a *waka* poem by the Empress Shoken, entitled "Listening":

> Other people's words,
>   sometimes good and sometimes bad,
>   need to be heeded;
> If we listen carefully
>   we can benefit ourselves.

It is in this spirit that the commentaries here recorded are presented to a larger audience.

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[1] Mike Mansfield, "U.S.-Japan Relations Present and Future," *Business America*, November 12, 1984, pp. 10-14.

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PART ONE

Introduction: Understanding the Relationship

1.

America's Most Important Bilateral Relationship

Anthony C. Albrecht

Dealing with Japan is America's most important bilateral concern, one that is becoming more complex as the economic relationship becomes deeper and as Japan takes on a greater world role. It is particularly difficult for the United States to find the right formula for cooperation with the Japanese globally, because Japan has never really perceived its future in the same self-confident global way that America has done. The United States is today approaching Japan on a partnership basis, trying to understand and work out our differences honestly.

Consulting on Policy Matters

The United States and Japan are very firm allies. On certain global issues—for example, the question of how to deal with Soviet expansionism—the Japanese came along slowly at first but have been responsive to U.S. and larger interests. They now provide assistance to areas of the world in which they have no direct economic interest. For example, Japanese aid to Pakistan or Turkey was clearly offered for political and security reasons and in response to U.S. encouragement. The United States is developing a network of consultations with the Japanese on problems in various parts of the world. These consultations help us to find out our differences; they allow us to demonstrate a respect for Japanese positions, and they help the Japanese to develop self-confidence and a better perspective on their own larger interests.

Security Issues

On the security side, the United States and Japan are linked by a mutual security treaty. U.S. bases in Japan are vitally important to America not just for the defense of Japan, but also for U.S. national security interests. Imagine how many billions of dollars those bases would cost today if we had to build them, and that will give you an idea of just how important they are. Unfortunately, Americans tend to take these bases for granted. As a matter of fact, there is a perverse backlash in that some people say, "Well, Japan isn't doing anything on defense. All they're doing is selling us cars, and it's all very unfair."

On the contrary, Japan is moving slowly but surely toward strengthening its own defense. Obviously, the United States would like the Japanese to move more quickly. Events—such as the shooting down of the KAL plane—have demonstrated very graphically to the Japanese the kind of behavior of which the Soviets are capable.

Partners in Trade

Despite all the attention in the press and negative attitudes toward Japan in Washington, particularly among government agencies that have to face the frustrations of Japanese competitiveness, many American businessmen are doing very good business in Japan. They do not want to talk about it too loudly, however, out of a natural instinct not to encourage competitors. Some of them have spent a great deal of time learning how the Japanese system works.

The figures demonstrate this. Japan is America's most important overseas trading partner, its most important agricultural customer, and now a major investor in the United States. Japan took 10 percent of all U.S. exports in 1982. Two-way trade in 1983 was approximately $60 billion dollars. The economic power of the two economies equals 35 percent of the world's GNP. Both countries are technology leaders, and Japanese trading firms are buying and selling U.S. goods on the world market, which is an additional engagement that they have with the U.S. economy.

Economic Viability of the Region

Our interests require that we not just look at Japan but also at the economic vitality of all of East Asia. Its economic growth and stability is based on free market principles and participation in the international market. Even more important from a security point of view, the economic viability of East Asia means that the United States does have to pour billions of dollars of aid into those countries. Today our annual exports to Korea or Taiwan are equal to, or almost equal to, all the economic aid that the United States ever provided those countries.

Problems of the Relationship

The U.S. government is trying to institutionalize and strengthen its dialogue with the Japanese government and to enhance the dialogue between the two private sectors. These efforts require a firm understanding between our peoples.

There are many institutions involved in the governmental side of this dialogue, and just about every aspect of the economic relationship is covered. The primary vehicle for across-the-board economic consultations has been the U.S.-Japan economic "sub-cabinet process" led by Undersecretary of State for Economic Affairs W. Allen Wallace on our side and by Ambassador Motono from the Japanese Foreign Ministry on the other.

In these meetings, which take place twice a year, U.S. and Japanese officials review the world economy and the whole range of bilateral issues. It is not a negotiating forum but a forum for the frankest possible dialogue about every aspect of the economic relationship. The ground rules are that either side can bring up anything that it wishes. Particularly sensitive subjects might be dealt with in a very small session. The point is to consult frankly and lay all the differences on the table.

There is also a trade sub-committee, led by the U.S. Special Trade Representative. All trade issues are dealt with here in very great detail with myths and rhetoric set aside. It is an outlet for frustrations and a way to focus on the true problems. If the United States is truly concerned about a trade barrier, the Japanese are given a chance to explain, and if they cannot convince the United States that the barrier is justified, they begin to recognize that maybe there is a problem. Then action can be taken. As a result of this intense dialogue, the Japanese are moving toward a more open system.

A key problem today is the false perception that the Japanese market is a closed one. That view is gradually yielding to an understanding that the Japanese market is relatively open, in a traditional sense. It has no more official barriers than the European or the U.S. market. However, Japan does have nontariff barriers, some of which are quite obvious, such as quotas on agricultural goods. The United States is pressing very hard to have the quotas lifted or changed. This is a sensitive matter for the Japanese politically, just as their pushing us on dairy interests would be very sensitive in the United States. The United States also has some quotas or voluntary restrictions on its own agricultural imports, such as meat, for example.

Many Americans seem to feel that if the Japanese market is not like the U.S. market, then it must be unfair. The United

---

The Vital Importance of the U.S.-Japan Relationship

The Japan relationship is relevant in one degree or another to virtually every major foreign policy interest of the United States. The interaction of these two societies and these two cultures affects the daily life of people in both nations in many ways. And yet, despite this, a preoccupation in both countries with certain economic and defense-related issues has often overshadowed the more important aspects of the relationship. The irritants and the tensions that have so often characterized the relationship in the areas of economics, trade relations, and defense are often allowed, either consciously or unconsciously, to color the larger relationship, to affect its tone, and even to damage the ability of the two sides to work together effectively in those many areas where our interests are virtually identical or are at least compatible.

To some extent, defense-related issues have proven more manageable over time than economic issues. The area of mutual understanding of the basic policy premises on each side in matters of security has broadened steadily. For some time there has been agreement on the nature and scope of Japan's contributions to our mutual defense efforts and on what is required on Japan's part to meet the responsibilities which it has assumed as a matter of government policy. The remaining issues very frequently have focused only on the pace at which Japan will move to acquire the capabilities necessary to fulfill its agreed-upon responsibilities. The extent of Japan's involvement in and contribution to our mutual defense effort is little known or appreciated in many quarters in the United States; it is today something that would have been virtually unimaginable ten years ago.

—Thomas P. Shoesmith

States is a free market, and the world international system is built on the U.S. model, and, therefore, if the Japanese system is not like ours, it is not fair. If Americans cannot sell as easily in Japan as the Japanese can sell in the United States, then it is not fair. But it must be pointed out that many Japanese learn English because they want to sell in our market. How many American businessmen learn Japanese? To what extent has the U.S. educational system given high priority to Japanese language or area studies?

The Japanese have clearly perceived their national interest in trade terms and have organized themselves and disciplined themselves to do something about it. Their central goal is to export in order to pay for raw materials, most of which they are totally lacking. Only in times of national crisis have we in the United States been able to organize ourselves to meet such a national goal.

Mutual Benefit

There are strengths and weaknesses in both the American and the Japanese social system. The current differences that we are struggling to resolve are often the result of longstanding differences in culture and economic systems. We all must learn more about how to advance U.S. national interests with Japan on the basis of mutual benefit. A perception of mutual benefit is at the base of any good business deal. I see no reason why it cannot be the foundation of good foreign policy and of good relations with a key ally like Japan.

2.

Three Snapshots of Japan

Thomas P. Rohlen

The Emperor of Japan descends from an Imperial House that has been more or less in direct succession for 1,500 years. In European terms, that would be like a country that still had a king that descended from Justin or Augustine. Since there is so much to discuss since those origins, I will try here only to give you three snapshots, brief sketches, of things I think will offer useful insights into Japanese culture and society, drawing both from historical and contemporary sources. First, a few remarkable things about Japan that we should keep in mind.

When the Portuguese, the Dutch, the Spanish, and the British went out around the world creating colonies, Japan was hardly touched. Other countries in Asia were left torn apart in the aftermath of colonialism, divided geographically, socially, and culturally by the shock of European rule. Japan successfully avoided such trauma and emerged at the beginning of this century as an equal of the Europeans having defeated Russia in 1905 and proceeding to join the colonizing scramble.

Nor did Japan have a bourgeois, (i.e., democratic revolution), like most of the countries of the industrialized West. When Japan did change, in the late 19th century, it changed by keeping Westerners at arm's length while learning all it could from them. It changed by revolution fostered from above. It had no crisis of class conflict. The Meiji restoration, some 100 years ago, turned Japan 180 degrees and changed many of the nation's institutions. The result was an adaptation to outside forces but not the elevation of individualism, liberalism, or egalitarianism to political dominance. In sum, Japan's modern history is remarkably different from the history of Europe or the United States, despite the now quite obvious similarities of economic and technical accomplishment.

We need to keep in mind also some simple facts. Japan is the most densely populated country in the world. It has the most educated population known to human history. The Japanese are extremely orderly. Crime rates, for example, generally run about one-tenth of ours and one-half those in Europe. The Japanese have fewer working days lost to strikes, less litigation, and so forth. Hard work is also a national trait.

We are considering a nation as bumptious as Victorian England. A country on the rise that produces not only lots of automobiles and VCRs, but also explorers that climb Mt. Everest and sail across the Pacific alone in small boats. It is a country full of enthusiasm for all the arts and sciences and for scholarship. Nowhere in the world is the dynamic of progressivism stronger at this point in world history, and the rest of Asia is catching the same enthusiasm.

At the same time, when we Americans think of the Japanese as a unique people, we are in danger of assuming that they are "cultural robots." The logic goes: once we know how the program for these robots is arranged, then we can understand them, plug in an equivalent program, and deal with them successfully. But the Japanese are *not* cultural robots anymore than we are. There is tremendous variation among the Japanese. They disagree, have conflicts, and change just as we do. But these domestic differences take a sharper eye to spot compared to our very prominent racial, religious, and ethnic variations.

The three "snapshots" of Japan that I am going to describe will not provide answers about how to deal with the Japanese in specific situations, such as trade negotiations, but they should help people who associate professionally to begin thinking and trying to learn more. Remember, we are dealing with a people very much more sophisticated about us, our nation, language, and institutions than we will ever be about Japan and its culture. They meet us more than halfway now—to our disadvantage.

The First Snapshot: A Rural Village

The first snapshot is one of a rural village in the 19th century. The village is located in a mountainous region. (Most Japanese agriculture is surrounded by hills, if not mountains.) Looking more closely we see the houses clustered close by one another in what we would call an urban pattern. On even closer inspection we find a company irrigation system to be a fundamental part of rice agriculture there. It is obvious that years, perhaps centuries, of work have gone into the irrigation system and the terraced hillsides.

The amount of land available to any one household is very small. The economic unit of the household has possessed the same land for many, many generations in most instances. The village as a community demands the cooperation of all households to maintain and develop the irrigation system and often to share common tools. In many places the entire community cooperates in planting, harvesting, and road mending as well as sharing common religious rituals. Villagers, as youngsters, are socialized into age groups that further strengthen communal ties.

A similar snapshot taken in Iowa or Illinois, would show a great plain dotted by individual farmhouses surrounded by their fields, linked to a public road by a long drive. A small marketing town with a church and so forth would be somewhere nearby, but separate from the farmhouses. Our rural pattern belongs to a different geography and a different approach to agriculture, but it also evidences a different culture. If Japan has perfected a system of group cooperation for centuries, we have encouraged one based on the rugged individualism of pioneers.

If you were to talk with the villagers, they would tell you their families have been in the village a long time and show you fields their ancestors carved out of the surrounding hills. Japanese villagers had the localized, group centered sense of social continuity that 19th century Americans were trying to escape from.

In the farming household itself there is a separation of duties and roles between people of different ages, between men and women, even between elder and younger brothers. Hierarchy is a normal, accepted aspect of family life. It is based primarily on age and is therefore closely equated with experience. Reverence for ancestors supports this hierarchy.

The family as a social unit has a religious quality, one consistent with Confucianism. The notion is that over time, previous generations through their toil and farsightedness have laid down the economic institutions upon which the family now survives and prospers. To a farmer, this is most clearly exemplified by the house, the fields, and the tools that his grandparents and their grandparents created.

The present generation thus owes a great deal to the past and out of gratitude feels an obligation to do its best for future

Adapting to Change

> *The word "adaptation" crops up in so many discussions of Japan. The Japanese are good at adapting to changes in the world and in their economy. When wage rates go up, they have to adapt, when the price of oil goes up, they have to adapt; when the Americans decide to change their relations with China, the Japanese have to adapt to it. This is just the way life works. The Japanese may not like it, but that is life. Literally, that's life, and they feel that they have to adapt to these kinds of processes. They often say: "We Japanese adapt to things rather than try to change them."*—John R. Malott

generations. Thus, each generation is linked vertically through time. The hierarchy in the family between the generations, even between elder and younger brothers, is legitimized and made, to some degee, sacred.

Compare this vision of the world to the 19th century American experience. By that time, our culture was deeply imbued with utilitarian ideas. Adam Smith and others taught us that the real metaphor for a vital society was the marketplace, not generations loyal to family traditions. Individuals were viewed, not as members of groups, but as free agents in a marketplace—a place where each could make rational choices based on self-interest and reason rather than on outside authority. We favored a marketplace of ideas as well as a marketplace for products, and we wanted equal opportunity for all which also implied an open market for personal advancement.

In the Confucian mode, the primary reality is the group, the household, and the village. The ultimate reality that resides in individuals is spiritual and subordinate. Loyalty to household and to village or, by extension, to other institutions is perhaps the dominant value of 19th century Japan, one shared by Samurai as well as farmers.

In contrast, Americans favored freedom, epitomized in such things as mobility, personal choice in marriage, work and religion, and in participation in democratic processes. In pre-

Meiji Japan, by contrast, the government prohibited movement at times as a means of ruling society and making it more orderly. Personal choice was never a sacred right.

The fact that the marketplace is the metaphor for Western Society does not mean that the Japanese are foolish about markets. They obviously understand market principles. Nor are we Americans completely ignorant of the kinds of values that stem from the unit and intimacy of family life. Both societies today have cultures that intellectually appreciate the two very distinct logics of market and social groups but in each nation the mix and the emphasis are different. In the United States, utilitarian, democratic, capitalist thought goes back to our earliest history and is deeply rooted in everything we have done: as immigrants from abroad, as pioneers spreading across the continent, as people who have found divorce a comfortable aspect of personal existence. We typically chose individualistic solutions that emphasize choice and market mechanisms.

Our House—Your House

Literally, uchi-otaku *means "our house, your house." "Our company, your company;" "our group, your group;" "your organization, our organization." The Japanese use this term in looking out at the outside world as well.* Uchi, *in one sense, is "our country"—as against your country. It is a mind set with the Japanese. Americans or any other foreigners will always remain foreigners. The* uchi-otaku *concept helps explain the way the Japanese perceive the rest of the world.*—Hattie K. Colton

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On the other hand, the Japanese, until the Meiji restoration, were deeply imbued with the Confucian point of view. Since then, even though they have added on many Western institutions and studied Western thought, a great deal of the Confucian outlook remains within what is now a capitalistic and democratic framework.

The Second Snapshot: A Family Group

What is it like to grow up Japanese today? The world of the Japanese child is very Western or familiar on its modern surface. And yet if we look more closely at a number of things, we will see some very telling differences—differences we should keep in mind when we deal with Japanese.

More than half of all Japanese wives are working today, and the Japanese family is changing a great deal. However, very few Japanese mothers work when their children are small. Women in Japan today still view mothering as their primary responsibility. In fact, the word "pro" is often used to describe the homemaker's role in Japan. While nearly one in five of our kids is growing up in a single parent household, only two percent of Japanese have this experience.

Until the age of six, Japanese children get the kind of attention that many Americans would criticize as smothering. Studies in the 1960s found that a large percentage, over half, of Japanese children were sleeping with one or another parent on most nights. Japanese mothers take very good care of their children, and the children grow up in very small, neatly arranged environments. They are not encouraged to go out and get dirty in the back yard. Instead they are sent off to nursery schools with handkerchiefs pinned to their uniforms.

Once I took my kids on a clam dig in Japan. The Japanese children came dressed immaculately in beautiful little white tights, frilly underwear, nice patent leather shoes, and so forth. It looked like they were all going to go sit for a painting by Gainsborough. My kids came in blue jeans. Everyone dug for clams in a rather muddy estuary and my kids immediately got dirty. But the Japanese children remained immaculate while digging for clams. I took pictures to prove to myself that it wasn't an illusion. The point is that at a very early age, Japanese children not only value cleanliness, but they have acquired self control and deliberateness.

Japanese children grow up in small families. The divorce rate is very low and family planning universal. Few Japanese are out of work and family life is stable and economically secure to an extent equaled in the United States only in our prosperous suburbs.

From that secure environment, Japanese children enter schools, that become progressively more demanding. Japanese youngsters go to school forty days more a year than American youngsters, and they are expected to work harder. The curricular pace is faster. There are more children in a Japanese classroom, but there is less disorder.

The entire Japanese school system is geared to prepare students for the severe competition of university entrance exams. I looked at and took (for my own dissatisfaction) a few of those entrance tests. I was a history major in college, but I failed miserably on many of the questions on European history and geography, not to mention Japanese and Chinese subjects. I gave up on the science and math. In English language studies, the kinds of questions asked of Japanese high school graduates and the knowledge of vocabulary that was expected, was also phenomenal by the standards of college-level language teaching in the United States.

Of course, from our point of view there are some glaring gaps in Japan's educational system. Despite their intensive efforts, the Japanese do not learn to speak English well. They only learn to read and write it. In most cases there is little premium put on independent thinking, self-expression, or independent research—at least through the end of high school.

Nevertheless, I came away from a year studying Japanese high schools feeling that the average Japanese high school graduate knows more science, math, and history than the average American college graduate in the United States. In addition, Japanese students preparing for exams learn to work very hard over a long period of time. Parents typically are planning the educational futures of their children in the early elementary grades or in kindergarten. Children understand much of that planning themselves at an early age. They realize that doing well in the fourth grade means that by fifth grade they will be a little bit ahead. By fifth grade maybe they will be going to a special tutoring school in the afternoons to gain a bit more advantage. Some bright students even attend tutoring schools seven days a week—including summer vacations. They do it year after year to get into the best universities.

One more illustration of the motivation and diligence inspired by entrance competition is the fact that about a third of the boys who finish high school actually complete an extra year of study, because they did not get into the university they had hoped for. They study for yet another year in order to try again. Every year, one reads about individuals who have repeated this process for as many as seven years of extra study just to enter Tokyo University. Today 90 percent of all Japanese youngsters graduate from high school (in the United States approximately 75 percent graduate) and are thus being trained to very high levels of skill and personal work habits.

The Japanese do not have a lot of freedom to shift careers or change from one university to another or even change jobs once they have graduated from school. Everything follows from what preceded it. Therefore, planning is extremely long-term and arduous. I assume this is but one more contribution to the Japanese capacity to think and execute programs in a long-term way.

The Third Snapshot: My Fencing Class

Japan is a pressure-cooker society. We Americans feel a lot of pressure in our lives from the chaos and the hustle and bustle around us. The pressures that the Japanese feel come from the demands they put on themselves in a rigorously organized society. It starts with parents, continues with teachers, and goes on to various kinds of supervisors throughout their lives.

While living in Japan, I became interested in the martial arts. I was living in a company's bachelor dormitory, and a lot of the young men there were on a fencing team. They invited me to join. Two mornings a week, I would go up to a little gym at the top of the dormitory. The first thing we did after we put on our gear, replicas of ancient armor, was to sit in meditation for a few minutes. Then we would go out on the floor to practice the rudimentary moves basic to the sport. In the midst of the fencing, we would scream and yell at each other. We would dance about our opponents almost in slow-motion, then all of a sudden one would scream. The intention was to throw one's opponent into emotional turmoil, to set him off-guard and create opportunities to strike a winning blow. Marine boot camp teaches the same technique I am told. At any rate it was very effective on me.

I also noticed that some of the people on the fencing team were middle-aged bankers. In national fencing tournaments also older men often ranked very high and did quite well. Because I was a cultural anthropologist and interested in things like connecting banks to fencing, I asked a lot of questions. Gradually, things began to fall into place.

In high school, I had been a wrestler in the Greco Roman tradition; later on, in Japan I had read books on *judo*. In the Greco Roman tradition, you use leverage and your own strength to control the other person; whereas, in *judo* you try to use your opponent's strength and momentum. The essence of judo is to control the other by utilizing his own ambitions, intentions, and fears. The Greco Roman approach is ego based, outgoing and aggressive; the other is centered on observing and responding to others. It depends on inner calm to work, for only with a cool head can one perceive clearly the opponent's direction.

We began and ended our fencing sessions with meditation. My teacher told me we had to remain as calm as we could in the midst of fencing, however impossible that seemed. While we were being screamed at, and screaming at one another, while we were dancing around being whacked over the head with bamboo poles, we were to remain calm enough to perceive what the other person was doing and take advantage of the openings that they left.

There is a philosophy in this, one that goes way beyond the martial arts and is connected to Zen Buddhism. The calmer and more clear-headed one remains, the better one's perception of the forces around one. The better that perception, the more one can use the momentum and the ambitions of the world to advantage.

This, let's call it a contemplative tendency, arises from time to time in dealings with Japanese. At times they will seem non-communicative. At a meeting, for example, they may sit with their eyes closed. An American may at first wonder if they have gone to sleep or if they are simply bored to death. What we later learn is that what they are doing is trying to listen as carefully as possible, perhaps not only to the words, but trying to assess the Americans on the other side of the table or the basic issues involved. The way we sit, the way we talk, how impatient we are tells them a great deal. The point in all this is to see the Japanese as a people who appreciate the very great power that can derive from a mode of patient observation and good listening. We find it frustrating at times and suspect ill will, but it is in fact a style that has deep cultural roots and often is of much service.

How They See Us

The Japanese see Americans as very friendly and open. It is sometimes a great relief for them to get out of Japan and be with Americans, because we do not have the same set of expectations that their fellow Japanese have about their behavior. But our friendliness and openness can also be disturbing. It can make them feel that there is no basic form to social relations They like reliable forms and procedures. Our informality, directness, and candidness can cause them to doubt our reliability They calculate things carefully and move at a measured pac much of the time. Our quite different style, especially when w are in a hurry, evokes in them a sense of confusion and chao to which they may respond by digging in their heels. The wor "freedom," incidentally, when it first came into Japanese i translation apparently evoked an image of unstructured, unrul behavior similar to a mad rush for the best seats in an auditorium.

We are impatient by their standards. Time is of the essenc for us. The Japanese believe that a person cannot do a good job of anything until he has perceived the situation clearly and ha the agreement of his colleagues as to the proper course.

We Americans tend to enjoy thinking out loud. We like t air differences of opinion. The Japanese can find this disturbing. It implies that we are not paying enough attention t the group and that we cannot make and keep agreements in a unified fashion.

The Japanese believe in following the proper order o things; thus, great stress on etiquette, politeness, hierarchy, and precedence. In being so formal, they are affirming the socia order upon which so much is based.

The Japanese do not operate under the assumption tha truth lies in words. There is no Bible in the heritage of the Japanese, nor do the Japanese believe that laws should run society, or that society is based on laws. Laws are fairly usefu tools, but the less often you have to utilize them, the better; the more often you can keep things out of court, the better. The Japanese have one-seventh the number of lawyers we have, in proportion to population.

Japanese find us literal and legalistic. They are concerned about always having to work through lawyers when they deal with Americans. They see us as relatively inflexible about the law and about "matters of principle."

Finally, the Japanese see us as a rather poorly educated society, in some cases childlike or unsocialized. "Uncivilized" might even be the right word. They are surprised how little we know about Japan as a rule. They are afraid to walk in our streets at night. Many are concerned that we, their great ally, are going to fall apart because of things like poor schools, divorce rates, rising levels of crime, and so forth. They are, of course, self-interested observers of the general trends in American life. They want to bet on us and avoid a more risky independent course in an unpredictable world. But lately many of my Japanese friends have shared with me their growing concerns about the direction of American society and their sense that Japan must be prepared for a much more challenging and autonomous role. In our dealings face to face with Japanese we can expect them to be more forthright, more insistent, and more independent than at any time in the last forty years. Whether this style will make for better relations remains to be seen.

Honchos

From the very beginning Japanese schoolchildren are organized into little, tiny groups called hans. *And the leader of the group is the* hancho *(or "honcho" as it has been rendered into English). Members in a* han *not only feel a great deal of solidarity but also exhibit a tremendous amount of competitiveness against all the other* hans *in the classroom. This carries all the way through Japanese society—to companies and in government ministries.*

Along with this competition there is a great interest in rankings. Every year the Japanese take surveys to find out which companies the largest number of students want to work for. The results are very important to the companies' prestige.

The ministries are ranked too. The graduates of Tokyo University, which is ranked first among the universities, are asked which ministry they want to work in. Number one is MITI. It used to be the Ministry of Finance, when that ministry was more powerful. Today the greatest brains in the country end up in MITI.

Countries are ranked too. Fortunately, the United States still remains number one.

This idea of vertical groups, of competition among the groups, and of rank ordering to clarify the pecking order, is very typical in Japan.—John R. Malott

3.

Cross-Cultural Dimensions: U.S.-Japan

Leo J. Moser

Many problems in the U.S. relationship with Japan have a cross-cultural dimension. A wide cultural gap exists between the U.S. and Japan that is not present in respect to our other allies in the industrial world. To begin with, some of the problems that Americans and Japanese have in dealing with one another may be caused by the relative isolation under which the two nations developed in the modern world. Some charge that both Americans and Japanese lack preparation for cross-cultural understanding. The United States developed much of its modern culture in geographic isolation from the rest of the world; only after we entered the 20th century did we have a close interaction with nations beyond North America. In their island kingdom on the other side of the world, the Japanese had lived much longer in comparative isolation from other cultures. In both societies, arriving foreigners had the responsibility to adjust to the mores of the host country. Neither Americans nor Japanese were forced to understand the contrasting cultural viewpoints of outsiders.

The cultural influences under which the two societies developed were about as distinct as any in the world. The United States represented the far western periphery of what had been Classical, later European, society. The Japanese represented the eastern-most fringe of the Sinitic culture realm; Nihongo, the "land of the rising sun," was seen as hanging on the very edge of the world. Our two cultures thus began with a minimum of common heritage.

It is not surprising, therefore, that Americans and Japanese apply rather strikingly different value systems as they attempt to cope with the world. Even within the process of socialization, we manifest these differences. Americans, for example, tend to stress individual accomplishment, and to view

the worth of activity in terms of the efficient use of time.
Japanese, on the other hand, stress the importance of
group, the importance of obligations and other ties betv
individuals; and the success of an individual's activity was tr
tionally evaluated in terms of personal honor and commitn
to social obligations.

The Japanese have maintained a very homogeneous
ety, and for the most part a Japanese in his daily activities
little reason to think about the influences of the world bey
Japan. During early Japanese history, foreigners were cor
ered far beyond the pale, virtually unable to fit into Japa
social relations. They were conceived almost as if outside
bounds of humanity itself. During the modern era, it is true,
Japanese have been quite aware of the Western world; and t
culture has come to terms with many aspects of it, but, des
the outer trappings of new devices and concepts, the social
attitudinal underpinnings of Japanese society have remai
relatively intact.

During the 19th and the earliest part of the 20th cent
Western colonialism virtually extinguished independent co
tries from the scene in Asia and Africa. Japan was an except
The Japanese accommodated to the Western world withou
major revolution; nothing happened to tear apart their so
system. The Japanese even accommodated to their defeat in
Second World War in a way that reflected their long-stand
values. With a historical tendency to view the world as an es
lished hierarchy, the Japanese accepted the fact that they
been put into a secondary position in the world, and set ab
to re-address their relationship with the remainder of
world, not by trying to modify the military equation (which t
accepted as settled by the war) but by relying instead on th
strong capabilities in such fields as international trade.

The United States has a very different view of its role in
world. Americans view the United States as playing a ma
international role, as a "superpower" that must not allow it
to be second to anyone. As individuals, Americans consi
themselves representatives of the most successful modern
dustrial nation and therefore as fit to take on the role of ad
ors to other parts of the world. To some nations, this attitu
can seem condescending; there have been references to
American "moral imperialism" that tries to impose
value system upon the entire international commu
ty—"Americanizing" the world. The Japanese do not try

export their culture or identity, reserving it rather protectively to themselves.

Thus, while Americans tend to look on their interests and innovations as part of a developing universal culture pattern; many other nations do not. It is surely not something the Japanese envision, at least not beyond their war-time concepts of a "sphere of influence" in the region. Past efforts to "Japanize" Korea and Taiwan were as unpopular with many Japanese nationalists as with the subject people; they have no contemporary counterpart.

Many Japanese view Americans as unconsciously ethnocentric. They consider that many Americans view the power position of the United States as if it were something granted them on the basis of their moral worth rather than as an expression of the fact that the mineral and agricultural assets of the North American continent have provided them with a rich base on which to build international power.

Given the differences between the two social and political systems, there has been a tendency for Americans to overestimate the unity of Japanese policymakers. In the period before the Second World War, some of our historians now charge, American policymakers did not take proper cognizance of the fact that there were wide differences of views within Japan. Less was done than might have been to play upon these differences in order to ward off war. The tendency continues. More recently, it is common in American circles to view every activity of a major firm in Japan as if it were somehow rooted in a master plan set by Japanese governmental policy.

The Language Dimension

The substantial difference in the history, background, and structure of the English and Japanese languages compounds the difficulties of understanding between the two nations. Many Americans overlook the importance of this dimension, falling into one of two traps. They may believe that their Japanese counterparts understand and deal with English better than they really do; or they may feel that all that is required is a good interpreter. In fact, however, no interpreter can fully deal with the ambiguities between the two languages. The subtleties of English cannot be translated fully into Japanese; in the same way, any effort to put Japanese into English must come to grips with ambiguity. This is an important consideration; in every culture people are not absolutely frank and straightforward in all they say; they word things very carefully in order to smooth over problems and to hide any weakness in their positions. In other words, speakers on delicate issues must master the art of the creative use of ambiguous terms and generalities. In our culture, the word "diplomacy" has itself been debased to the point where for many Americans it means little more than the clever use of words. The Japanese choose their words carefully as well. The problem is that the terms so chosen in either English or Japanese cannot be translated with the same set of ambiguities intact.

Americans also suffer in their dealings with Japanese because English has long been a major world language. Many Americans blithely assume that they can get along by the use of English no matter where they go in the world. Few Americans have been forced to cope with another culture on its own terms; few have had to use another language or suffer. Although English is very widely taught in Japan, few Japanese can speak it in a normal social environment. The level of ability required to understand a discussion in English of economic and political matters as they enter into formal international negotiations is rare indeed in Japan. Americans dealing with Japan, and this includes most members of the U.S. media resident there, normally work through a few trusted interpreters and/or restrict their contacts to a small circle of bilingual persons. This results in their being shielded rather effectively from the kind of broad exposure to Japanese society that would enable them to understand it in any depth.

Some linguists suggest that Japanese differs markedly from English in its logical structure. One hypothesis is that the Japanese language focuses more specifically on descriptions and statements, rather on the hows and whys which are more typical of English. If this is true, Japanese is not quite as easily used as English in discussions of cause, effect, and interrelationships; but it is more useful to describe facts and events.

Both English and Japanese make wide use of terms borrowed from other languages, and Japanese has borrowed a great deal of its modern vocabulary from English. In many cases, however, an English word has been incorporated into Japanese with a meaning that is quite different from the original English. An English word thus transformed can be more dangerous than a completely unfamiliar word, since it may lead us both into thinking that more communication is taking place than really is.

Understanding the Japanese

In Japan there is the risk, a minimal one but a risk nonetheless, of trying, as a foreigner, to conform too closely to Japanese patterns. If Americans, for example, could absorb fully everything to know about Japan and be able to deal in Japanese society like the Japanese, we would be in real trouble. As it is, the United States has a huge reservoir of good will left in Japan. For Americans, the Japanese have what is called in Japanese amaeru, *a sense of obligation one feels toward another person. That is something one can take advantage of in dealing with the Japanese. But if a foreigner were to behave like a Japanese, there would be no pressure whatsoever on the Japanese to adapt. So it is a nice balance that we should try to strike. We should show understanding; we should show that we understand the things that motivate Japanese society, but we should not try to be Japanese.*—Albert L. Seligmann

Often there are important concepts in English or Japanese that have almost no equivalent in the other language; an example is the Japanese concept of *haragei.* This concept is often described in English as the process of talking around a point during bargaining in order to arrive at a consensus; but it can hardly be translated in any predictable way into an English sentence without a long circumlocution. An example of a common American term which allegedly cannot be translated into Japanese is *fair play.*

There is also the danger that, when Americans deal with Japanese who speak rather fluent English, they will not realize that in the mind of the person to whom they are speaking each English word has a meaning that is somewhat different than it would be to a person who spoke English as a first language. In many cases, a Japanese speaker of English will use an English word as if it were a full equivalent to a Japanese word, while in fact it may overlap only partly in meaning. In this sense, parties who believe they are negotiating in English may really not be using the same "English language." This is especially true when the second language of one of the parties, like the English of many Japanese, was originally learned in the artificial environment of a classroom.

The danger runs both ways. It is nothing new. Most students of Japanese affairs are aware of the historical debate centered on whether or not the United States seriously misinterpreted the word *mokusatsu* when it was used by Premier Suzuki Kantaro toward the end of the Second World War. (Query for author: Please give translation of the word.) The theory often advanced is that if American translators had provided a more subtle translation of this deliberately ambiguous word to their policymakers, the Second World War might have come to an end sooner and the use of the atomic weapons might have been avoided.

The Concept of Amae

Since the Second World War, the guardian-ward relationship between the United States and Japan during the occupation period has had continuing repercussions on the relations between the two countries. Americans typically saw the United States as a benefactor of Japan—as a beneficent role model that had helped to bring war-ravaged Japan back to its feet. They were proud that post-war Japan had accepted many "typically American" political and social values. The Japanese, while accepting some of the logic of this and feeling gratitude that they had not been dealt with vindictively after the war, have a very different view of the relationship.

One of the basic cultural concepts used by sociologists to describe Japanese culture is the psychological orientation commonly known as *amae*. This term can describe the attitude of the weaker or inferior party in a relationship toward how the stronger party should act: dependence on, and expectation of, another's benevolence. Built into the concept is the assumption that the stronger will respect the rights of the weaker and recognize an obligation to care for and protect the weaker *without* imposing *any reciprocal obligation*. This view of "dependency relationships" contrasts with the American point of view. Americans normally think of even parent-child relationships in terms of two-way obligations. Analysts of U.S.-Japanese relations, particularly in the post-war period, have used concepts such as *amae* to explain why leaders of Japanese organizations feel obligated to their followers or weaker associates; for example, when leading companies in the Japanese textile industry fought for the interests of smaller firms in the same business, Americans tended to view this as an expression of a single-minded "Japan first" approach on the part of the Japanese firm, when in fact it reflected only the sense of *amae*.

To the degree that the United States has fitted into the role of a more powerful partner vis-a-vis Japan, Americans should, from this somewhat stereotypical Japanese point of view, assume a role roughly that of an older brother toward a younger. The United States may not always live up to this role in Japanese eyes; for example, the difficulties that arose between Prime Minister Sato Eisaku and President Richard Nixon over the textile negotiations have been attributed to Japanese expectations of *amae*. To the Japanese, the assumption was that the United States, as the stronger power, would be greatly motivated to accommodate its economic interests to meet those of Japan in the field of textile imports. To President Nixon, however, the logic was that the Japanese should be forthcoming on the textile negotiations in order to reciprocate for his agreement on the reversion of Okinawa. In the Japanese mind, "reciprocity" was not the controlling factor, *amae* was. The American idea that "turn-about is fair play," based on the assumed equality in the negotiation context, far from being something that should have been pleasing to the Japanese, represented for them an illogical concept. It violated the reality of the relationship and overlooked the moral obligation under *amae* for the stronger party to look out for the interests of the weaker.

The Role of Consensus in Decision-Making

The differing ways in which the Americans and Japanese conceive the role of the individual vis-a-vis the group strongly influence interactions. In Japan, very great value is put upon achieving consensus between all of the parties involved in an issue. Painstaking effort is made to avoid putting anyone in the position of being a winner or a loser. In the United States, by contrast, a cultural respect for "healthy competition" allows the interplay of forces to be revealed in very stark terms. In Japan, members of organizations, including officials in government, do their best to bring together viewpoints so as to avoid confrontation or competition. What differences emerge are kept from the public eye and referred to as little as possible even within the group.

During the negotiation process, the tendency for the Japanese to work towards their own consensus may irritate the American side, especially when plural forces are involved in

Japanese society. The Japanese approach seems unnecessarily time-consuming to the other side of the table. Often, the inability of the Japanese to respond in a timely fashion to an American suggestion is interpreted as either weakness or indecision—or it may be interpreted as part of a delaying tactic aimed at gaining some later advantage. In fact, however, very often nothing more sinister is involved than the need of the Japanese side for more time to work out a consensus position.

In describing the consensus process in their own society, some Japanese have recommended that Americans not view the Japanese side as involved in a "decision-making process" at all, but taking part instead in a process that could better be thought of as "direction taking." The latter description would allow for a better understanding of what is going on, since the time-consuming factor does not stem from a lack of decisiveness on the part of any individual Japanese "decision maker" but reflects instead the need to involve many levels of organizational coordination in working out a consensus. Decisions from on high are out of the question. There is operational value, however, to the Japanese consensus procedure: once consensus is arrived at, further action can be greatly speeded up.

A side effect of the Japanese need for consensus is that when circumstances exist within Japanese society that prevent anything close to a consensus on an issue, national leaders will do their best to avoid taking any position. The Japanese are often described as dreading to contradict others, or, for that matter, to be contradicted. Both situations create exceedingly embarrassing situations, since the lack of the proper degree of consensus is painfully made apparent. Students of the dynamics of Japanese Society, foreign as well as native, have often observed that Japanese hate to contradict others, or to be contradicted—that there is a strong desire to avoid saying 'No' in any conversation.

This Japanese tendency to avoid direct confrontation contrasts sharply with the American willingness for decisions by an open vote among parties. Our rules of order allow a majority to call for a vote to outrule a minority and we feel that the latter should accept the decision without any sense of inferiority or frustration. In the Japanese scheme of things it would be very awkward to overrule a minority in a public meeting. Every effort should be made to bring those people into a common and virtually unanimous decision.

Differing Japanese/American views of hierarchical relationships can cause cross-cultural noise as well. The typical American attitude is that higher rank in an organization gives the holder of that rank the right (even the obligation) to make certain decisions and it inforces upon those further down in the system the duty of following through. In sharp contrast, *amae* imposes on the higher ranking Japanese the obligation to take into account the sensitivities of those lower in the system, to accept their recommendations when possible, and not to leave them in a position where it is clear to all that their viewpoint has been overruled. Thus the American pattern places the obligation more on the subordinate to follow the leadership of the senior official; in the Japanese system the obligation centers on the senior official, who must work out relationships that are acceptable to the group.

Harmony and the Avoidance of Conflict

Closely related to its concern for consensus in decision-making, Japanese culture stresses the value of harmony in all human activity. This goes deep into the nation's historical traditions. It ties into concepts about the importance of harmony with nature and into ideas about the harmony that should exist in human relations. As mentioned, the Japanese tend to look upon status and hierarchical relationships not in terms of control by a superior but rather in terms of their value in promoting group harmony. According to some observers, the Japanese even interpret their subordinate relationship to the United States after their defeat in the Second World War as part of a pattern that supports harmony in the international community. Although the relationship between Japan and the United States is perceived to remain an imbalanced one (particularly in military and national power concepts), this situation is not inherently as distasteful as might otherwise be the case—as long as the United States conducts itself according to the kind of responsibilities that it should have as a superpower for looking after the interests of Japan.

The concept of *haragei* has already been mentioned. It plays a major role in arriving at acceptable decisions through a long-term process of bargaining, a process of talking around an issue until a consensus begins to develop. The time lost is not considered wasted, given the overriding importance of arriving at a harmonious outcome. The *haragei*-type process of communication and interreaction succeeds best, of course, among members of a group who have much in common. When the Japanese try to deal with foreign colleagues on the same basis, cross-cultural misunderstanding can result. In the words of one observer, "the art of *haragei* is very much a Japanese technique of communication .... In the use of this word there exists a feeling of a community of emotions, that is, a desire to be given special consideration (again related to *amae*) since the other man is considered to be your friend, a member of your group." (Masao Kunihiro, "U.S.-Japan Communications," p. 167.)[1]

In October 1970, when Prime Minister Sato was departing for consultations with President Nixon in Washington for the Second Textile Summit, he reportedly said, "Since Mr. Nixon and I are old friends, the negotiations will be three parts talk and seven parts *haragei*."(Kunihiro, p. 167.) This turned out to be a serious misperception on Prime Minister Sato's part; he found his American counterparts interested in an immediate settlement; they refused to engage in any prolonged discussions and even insisted on pre-agreement to an explicit five-point American proposal as the basis for future agreement. Sato's only way out of the situation was to agree to the proposal, apparently feeling that he had little alternative; but he was unable, of course, to deliver the proper consensual support in Japan upon return. As a result, unnecessary damage was done to good relations between the two countries.

Another aspect of the Japanese preference for avoiding potentially conflict-ridden situations is their preference for the use of go-betweens. It is quite typical for the Japanese to approach the more ticklish aspects in daily life through intermediary persons, whether this involves renting a house, arranging a marriage for a daughter, or making a troublesome business deal. During the Occupation, a whole generation of Japanese officials evolved to play the role of middle-man or buffer between the U.S. Occupation Forces and the remainder of the Japanese bureaucracy. More recently, with the passing of that generation from the scene, they have been replaced by a wider variety of Japanese with experience in Western culture. Only to a limited degree have Americans or other foreigners been able to enter the scene in Japan in this capacity. The underlying problem is that cultural factors, relationships within Japanese society (such as ties to one's school and generational group) are so essential for the Japanese in their communication with each other that it is exceedingly difficult for foreigners—no matter how good their language skills may be—to play an intermediary role. For similar reasons, Americans of Japanese descent find it hard to take on this role. They tend to be considered by other Japanese as if completely outside of the normal Japanese social system, despite their family backgrounds and language skills.

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[1] A complete citation for this and all references in the text may be found in the bibliography at the end of each part.

Cross-Cultural Institutional Factors

Some of the misperceptions involved in U.S.-Japanese relations originate in differences between institutions in the two countries. In both cases, there is a tendency to view the structure of the other government as if it were more similar to one's own than it really is. Superficial resemblances between the two governments at the present time increase this tendency. Constitutional democracy, the market economy, the free press, and other common institutions differ sharply between the two countries, however. In the words of Michael Armacost, "intellectual conditioning as well as governmental gamesmanship makes it extraordinarily difficult to transcend one's own frame of reference and to avoid assuming, by analogical reasoning, that the frame of reference of counterparts in Tokyo is comparable to the political environment in Washington and vice versa." ("U.S.-Japan Relations: Problems and Modalities of Communications" p. 68.)

As already noted, the difference in the decision-making structure in Japan leads to a greater influence of group considerations; and individual personalities do not play as strong a role. The Japanese negotiator works from the authority of the consensus that exists between several departments of the Japanese government (if not the entire governmental structure); he is not in the position to respond easily to give and take. Americans may expect to discover Tokyo's "fallback position" on an issue and continue to probe in order to get a better feeling for what might be possible. In many cases, however, no such position may have been worked out by the Japanese side.

Status and Hierarchy in Japan

The way that society is structured in Japan is markedly different from that of the United States. Social relationships in

Japan normally take place within a stricter context of status relationships. Students of Japanese behavior point out that the Japanese language itself reflects this, with its many honorifics and with its complex systems to show interpersonal relationships and differences of status. For example, in Japanese there is no everyday word for sister or brother that does not show whether the person is younger or older. Age relationships are carefully marked and the distinction between generations is key to many Japanese attitudes.

Some sociologists studying Japan have emphasized hierarchical patterns in Japanese social behavior. For example, Chie Nakane, in her study, *Japanese Society,* described what she considered the strong pattern of Japanese respect for differences of status and referred to Japan as "the vertical society." These analyses should not, however, lead us to think that the modern Japanese are a socially stratified people in the sense that we might think of the situation in pre-modern Europe. Japan maintains a democratic society. Although the Emperor and his family play a major ceremonial role, the remainder of nobility as an institution has pretty well disappeared. Merit and educational accomplishment carry more weight these days.

The flow of initiative in government and business evidences a quite different pattern within Japanese society than within American. It is true that the American leader may strike a relatively low-key image and talk as if he is only representing the view of a larger group, a view democratically arrived at, but he nevertheless feels a heavy responsibility to show his leadership.

In Japan, initiatives are most likely expected to come not from the top down but from some place at the mid-level of the organization and to move up as consensus is developed. The process is that the superiors within the organization tend to accept the judgment of mid-level technical experts as those judgments are put forward. Once the view is given the blessing of those at the top, it represents a general consensus view of the agency or group involved.

Decision-making within the Japanese system is very slow, whether in government or in business. Since it is necessary for equals to talk to equals across agency lines, the subordinates must supply a continuing stream of information to the higher-ranking officers within their organizations so that the latter can bring to bear their networks of personal association, and find out what the feeling may be in other agencies or in other parts of the corporation. This is a complex activity, and one generally difficult for outsiders to gain much of a feel for.

The Japanese term for the system under which decisions come not from the top down, but from some place in the middle of an organization and move upward is generally referred to as the *ringi* system. Some American analysts, once they realize the existence of a pattern different from their own, talk about the *ringi* system as a very mysterious, complex, almost inscrutable, feature of Japanese decision-making. In fact, however, a great deal of what is involved is similar to what goes on in any American organization of a bureaucratic nature, where memoranda are sent around for clearance by a large number of persons who have to sign off on the final document.

A great deal has been said about the importance of "face" in the attitudes of East Asians. There can be no question, of course, that the Japanese feel strongly that embarrassment must be avoided at all costs. This can lead to the Japanese side avoiding any action to clarify a situation, when the facts are in any way embarrassing. Often cited as an example of this was the difficulty the Japanese government experienced in telling the United States in 1960 that it would not be easily possible for President Dwight D. Eisenhower to visit Japan. For weeks and months the situation in Japan made this fact increasingly clear—with many demonstrations at the airport when President Eisenhower's press secretary arrived, etc.—but the Japanese government could not bring itself to inform the Americans that they should call off the trip. The very idea that made the trip inadvisable, likely Japanese public reaction, was simply too embarrassing for Japanese political leaders to put into words and to communicate properly to their American counterparts.

The Relation of Form and Substance

Very often Americans conclude that the Japanese with whom they are dealing seem much more interested in the form rather than the substance of any relationship or action. This often relates to concern for "face," because the maintenance of face can often be guaranteed by assuring that the form of a decision is proper and fully acceptable even though the substance is quite another matter. The way in which the imperial institution in Japan was maintained after the Second World War showed American perception of the Japanese interest in the importance of form. The Emperor surely lost the substance of his control and even his legal sovereignty, but the outer form of the institution was maintained intact; and this did much to satisfy the needs of the Japanese population during a very difficult transitional period.

Conclusion

Although there are enormous differences between Japanese and American culture and these do lead to certain rather predictable types of misunderstanding, the United States and Japan have grown to understand each other much better with the passing years. The democratic institutions of Japan, its membership in the modern industrial world, and its interests in a wide variety of foreign customs (including many of American origin) make cross-cultural understanding easier. We have not gone as far as the Japanese in bridging the gap, although we have many more Japan specialists than we had a generation or so ago, and our superficial exposure to, and respect for, Japanese art and customs have increased very greatly. Nevertheless, very major differences remain between the two cultures and we should not underestimate the problems that they create and will continue to create. By being alert to the historical and psychological underpinnings that make Japan different from the United States, we can surely learn to deal more effectively with Japan.

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PART TWO

Decision-Making and Negotiating Japanese Style

4.

Understanding Japanese Decision-Making

Herbert Glazer

The Setting

Is there anything distinctive about either the setting, the Japanese enterprise itself, or the process of Japanese management. Most Japanese sources today would respond in the affirmative. The setting is distinctive because of something we can translate as "familialism" or the lifetime employment system combined with the seniority system. Employees within the Japan enterprise function as a family. That is constantly reemphasized but it should not be pushed too far. The Japanese worker is a displaced person, cut off from his family, from the traditional village or urban setting that he grew up in. The company becomes a surrogate family for him.

The Style

The distinctive mangement style in Japan is called the *ringisho* system, a term now well known to Western businessmen in Japan. The basic idea of the *ringisho* system is that the substance of policymaking within the enterprise is carried out by the lower levels of the hierarchy. That allows the top members of the hierarchy to avoid individual responsibility for decisions. Nobody made the decision, so everybody made the decision. If something goes wrong, nobody is at fault; everybody is at fault.

There are four steps in the *ringisho* system. Step one is to develop a proposal for a bank loan, plant location, etc. Step two is to circulate the proposal to various people to get their reactions. Step three is to obtain approval by the individuals who have to take action on the proposal. And Step four is the actual record of the approval and the other comments that go with it.

Attempts to generate a consensus in favor of a proposal can be made both informally and formally via meetings of the de-

Japanese Managers

Japanese managers are regularly not so busy as their American counterparts. Certainly in corporations, they try not to be as busy as Americans. American managers let a lot more of the decision-making center in their offices. They take on a somewhat Promethean, "we've-got-the-world-on-our-shoulders" attitude. In contrast, Japanese senior managers have time for long undisturbed meetings and discussions. They are not just saying, "Cut off my phone." Instead there is a sense that they want to be calm and collected more regularly.

This may imply that they are not so important to their company. In fact, they probably really are less important in terms of the daily affairs of companies than American managers. Japanese managers try to isolate themselves from daily affairs because their basic concern is for the overall health of the company or institution, not for detail.

When I worked in the State Department, the Secretary of State was very much involved with daily events. He was not sitting back watching how the State Department worked. Kissinger *hired others to do that for him.*

These contrasts reflect how differently Americans and Japanese view the individual's relationship and responsibility to his organization. American managers believe that they bear great, heavy responsibilities because they are better than anybody else in their organization. They are the chosen ones—the best educated, the most energetic, the brightest. In Japan a person becomes president of a company by being calm, somewhat dignified, fatherly, able to remove himself from daily events. He has worked in the company all his life and proven himself over 20 or 30 years. Then he is president. The Japanese think that if a person cannot act like a president, he should not be a president. To Japanese visitors, many American company presidents do not seem like presidents at all.—Thomas P. Rohlen

partments involved. The frequency with which Japanese hold meetings is a good example of *nemawashi*, a very difficult concept to translate. "Nema" means root and "washi" means to encircle. Gardeners tell me that to dig up a root, one does not attack it at its source, but one digs around it, loosens up the earth around it, and thereby pulls out the root. And so *nemawashi* is a kind of consultative, loosening up process through which people get to know each other's ideas and differences of opinion. After extensive discussion and consultation and the like, the formal proposal is then circulated and the Japanese seal or stamp is affixed indicating approval.

The Ideals

In the last ten years, there have been several very articulate dissenters from the previously accepted view, namely that familialism and the *ringisho* system characterize Japanese-style management. The best source is *The Japanese Company* by Rodney Clark, which sums up all the Japanese management theories and the current thinking on them.

Clark maintains that the doctrine of familialism was able to assert itself over other theories, even though the other theories might have taken into account more of the facts. A look at the facts showed that there were enormous differences in the way managers and workers were treated; that industrial relations were sometimes very bad; and that fraud and speculation were endemic on stock exchanges. In Japanese industry today, one hears less of the analogy with a family, largely because the Japanese family itself has changed and no longer constitutes a simple pattern for conduct. There remains, however, an influential *ideal* of harmony and cooperation in relations among employees and between employees and their firms.

The collective decision-making process, according to Clark, is as much a matter of perspective and emphasis as it is reality. He points out, for example, that in the West we emphasize the individual in the decision-making process; whereas Japanese managers emphasize and extol the establishment of consensus. In other words, an American sales manager might think of himself as having responsibility for successfully marketing a new product, whereas his Japanese counterpart would be inclined to think of himself as head of a marketing team and then, further, part of a larger team of senior managers all working on some aspect of a product.

Appearance and Reality

How much of Japanese collective decision-making is appearance and how much is reality? One theory is that Japanese decision-making style varies with and depends upon the nature of Japanese top management. In other words, different companies have different decision-making styles, which is no great revelation to Americans or anyone else.

According to this theory, the style of decision-making depends on the style of the top manager, starting with the entrepreneur founder-type company where the top man is the founder of the company. If they choose to, these founder-entrepreneurs can run their companies autocratically. As the companies grow older and larger, the son of the founder, the second-generation family member, may come in and take over and probably will develop a more dependent style of management because his background is different from his father's. There are also professional managers, people who came up through the ranks, and the like. The shift is downward to decision-making at middle management levels.

Clark has observed that there are a number of cases in which Japanese management style is far more decisive than its American counterpart. He mentions the transfer of personnel. At both the factory floor level and the section level, personnel can be transferred rapidly at the discretion of their superiors. Work allocations and transfers in large corporations can be handled rapidly and efficiently. In the American case such moves are subject to considerable contention and frequently result in union involvement, lawsuits, and so forth.

5.

Negotiating Style: Americans and Japanese

Leo J. Moser

Given the differences between the two cultures, it is easy to see that when Americans sit down to negotiate with Japanese certain very specific types of problems are likely to arise. To begin with, the Japanese are less conditioned to think in terms of formal sessions to negotiate issues. A confrontation across a table is somewhat contrary to their concepts of decision-making; they are themselves used to working out a consensus in a very slow and careful way with all parties avoiding confrontation as much as possible. The very idea of two delegations sitting down on opposite sides of a table to make decisions is awkward, especially when each side is expected to begin by making its points forcefully and clearly.

When the Americans state their position, the Japanese tendency is to listen quite carefully, to ask for additional details, and to say nothing at all committal. This lack of response is likely to frustrate the American side, which wants a counterproposal put on the table "so that give-and-take can begin." To the Japanese, this approach may appear overly aggressive, embarrassing, even impolite. They may also consider it unwise to expect the two delegation leaders to make initial, clear statements of their negotiating position; wouldn't it be wiser to let them speak only after the two sides had worked out a mutually acceptable position at the working level? To Americans the Japanese response is liable to seem standoffish, dilatory, even "inscrutable."

Delegation Structure

Japanese negotiators are often puzzled by the complexity of a negotiating team fielded by the United States. An appropriate consensus often seems to them to be lacking on the American side; in many cases a member of the American team may even describe his agency's separate viewpoint. This gives the Japanese the impression that the Americans have begun to negotiate too early, not having worked out their own consensus in advance. Additionally, American negotiators are likely to come from diverse backgrounds, different ethnic groups, different industries, different parts of the political spectrum—especially when a very large delegation has been chosen to begin complex talks. The Japanese team, on the other hand, is more likely to be a group that thinks alike; they will surely be culturally homogeneous and will come most likely from a small number of the prominent universities; they will have had much the same career experience.

The responses of the American negotiating team are likely to seem very unpredictable, even erratic, to the Japanese. One American negotiating team may act in one way, and a year later the same Japanese negotiators may come across another American team which, because of dissimilar make up, will take quite a different approach, not only to the issues but also in their style of negotiation. American negotiators have very often been put on a delegation because they represent certain aspects of American public life: the Congress, organized labor, higher education, specific industries, political parties, or regional groups. Japanese negotiators find these many differences exceedingly difficult to sort out.

The Japanese negotiating team is more likely to operate as a group; their cultural attitudes stress the importance of orderly activity within groups. The Japanese give clear precedence to certain types of seniority and experience, thereby relieving their top officials of the need to "show that they are in command." Very often a Japanese negotiating team may have a leader who is only generally informed on the subject matter to be negotiated. He may have been chosen because he somehow represents the consensus that has been developed in the pre-negotiating stage within the Japanese bureaucracy. Although his symbolic authority may be high, and he may be treated with great deference because of his age, he is not as likely to play a dominant role as his American counterpart.

Norms of Social Contact

The style of personal contact and the way that relationships between individuals are expressed vary sharply between Japan and the United States. Most Americans are familiar with the Japanese custom of bowing rather formally with the back straight, feet together, and hands at the sides. They may note that the deeper the bow, the greater the amount of respect conveyed. Hierarchical relationships are explicit and need not be contested.

The Japanese consider an individual's personal space to be somewhat larger than Americans view it. Less experienced American negotiators may find themselves trying to get physically closer to their Japanese counterparts, only to find that the latter are constantly pulling away from them. Since in most cultures a sort of emotional alarm is set off when someone invades what is considered personal space, there is always the danger of a Japanese interpreting an American's attempt to be friendly as aggression.

The degree to which family members are brought into contact with the work environment also differs sharply between the two cultures. The Japanese seldom bring their wives or family members to meetings or to outings during negotiations as Americans might do. Socializing among bureaucrats and among businessmen takes place largely in restaurants and does not include spouses. The concept of extending home hospitality is by no means as common as in the United States.

American informality in social contacts sometimes erects a barrier to proper understanding between the two cultures. The American propensity to use first names, to dress casually, and to show little patience for ceremony can be quite disturbing to Japanese counterparts who expect more rigid, socially determined behavior on the part of others. The American tendency to play down personal status and to overlook the niceties of protocol can send the Japanese a confusing signal, giving them the impression that there is something wrong in the relationship.

In other ways, however, it may be the American side that is more hierarchically organized than the Japanese side. Because of the Japanese tendency to work on the basis of consensus, a Japanese delegation is not likely to be strongly under the control of any one individual. Some U.S. delegations are firmly under the personal control of a principal representative. Japanese working teams are more often dominated by organizational sub-systems that rely on middle-level specialists. From these people came the ideas that led to the Japanese position on the issue. In contrast, many Americans seem to feel that the leader of a delegation must "put his mark" upon the course of the negotiations to prove his worth. This attitude is relatively rare among Japanese.

Taking Positions, Clarity

As mentioned above, Japanese negotiators are often surprised when they first enter into contact with their American counterparts to find the degree to which the American side is disunited. Especially alarming is the degree to which this is allowed to be publicly known. When Japanese groups evidence differing viewpoints they do not normally expose them to any larger public. They find it awkward that American officials talk so freely about differences within the American community. "What are we supposed to do," the Japanese wonder, "help the Americans arrive at their own consensus?"

The two cultures also see compromise rather differently. Americans typically take the ideological position that compromise is a good thing; it is natural to business and is what makes government work in a democratic system. Willingness to compromise may even be felt to be morally required, since it shows good faith and a sense of fair play. As a result, Americans rather freely talk of compromise during the course of negotiations. They are, however, likely to be surprised by finding the Japanese unresponsive to their "trial balloons." The reason will be, of course, that the Japanese side has already arrived at a consensus and would have to work through the entire consensus-seeking process again in order to come up with a substantially different type of conclusion. The Americans may then see their Japanese counterparts as simply unwilling to compromise or as uninterested in keeping the negotiation process alive.

The issue of clarity in the negotiation process is another danger point. Sometimes language itself poses a major problem here. Many, if not most, complex sentences in English cannot be fully translated into Japanese in a form that will retain all of the original nuances. The inverse is equally true. American negotiators are likely to assume that an interpreter can somehow make their meaning clear. In fact, however, unless the interpreter is exceedingly perceptive, a great deal will be missed. The two negotiating teams will simply talk past each other. More substantially, however, the Japanese are likely to prefer broader terminology, more general principles, and less "legalese" than their American counterparts. This reflects a number of cultural determinants already mentioned: concern for form as well as substance, concern for avoiding embarrassment, the need for consensus, etc.

Even in daily contact, there is a contrast between the degree of directness typically shown by American to Japanese. To Americans, directness, frankness, and a display of strong feeling about issues are all positive traits; they are evidence of good intentions and personal conviction. It is a compliment to be called "straightforward." To the Japanese such an attitude is liable to be taken in quite the contrary way. Blunt or emotional statements signal a lack of confidence in one's convictions rather than the opposite. During negotiation, blunt comment raises the possibility that those speaking are not truly sincere or secure in their viewpoint. At the negotiating table, the Japanese often feel it is best not to come straight to the point but to lead up to a conclusion or even to try to avoid one. Hesitation and long pauses may result when there is disagreement with the more aggressive approach from the other side of the table. Japanese may avert their eyes or even close them under such circumstances; and the lack of any statement reflects a feeling that anything said under the circumstance would only disturb or offend the other side more thoroughly. Out of consideration for the long-term relationship, they feel it is best then to say nothing at all. This response (or non-response) saves the appearance of the situation—at least to some degree.

Sincerity in Negotiation

Tied to the Japanese concept of *amae* is the view which stresses how important it is to demonstrate sincerity in dealing with others. According to the Japanese concept, if a negotiator demonstrates that he is doing his very best to try to meet the other's position, this show of sincerity imposes something close to an obligation on the second party. This is by no means alien to American ideas, but it takes on a new form for the Japanese under the system of *amae* when one party is dependent on the other, since it is the stronger of the two parties which is expected to make the most concessions.

Avoiding Surprises

Related to the Japanese desire to seek harmonious situations is their strong desire to avoid any procedural or operational surprise. This often leads the Japanese side in a negotiation to shy away from "initiatives" made by their American counterparts. To Americans, the concept of coming forward suddenly with a new initiative carries the attractiveness of innovation, forethought, and creativity. To the Japanese, the sudden presentation of a whole new series of options is likely to be quite unsettling, since there would normally have been no opportunity for the people involved in the direct negotiation to have worked out beforehand the kind of consensus with colleagues that would be necessary before they could respond to the innovation. It is simply not possible for Japanese negotiators to check with a few key people to arrive at a decision on a possible change of tack. For this reason, American negotiators may conclude that their Japanese counterparts are unreasonably stubborn and unyielding.

A sudden decision by a chief American negotiator to depart from the text of a statement on which his Japanese counterparts had been briefed beforehand and to substitute instead extemporaneous or otherwise "creative" remarks would represent a good example of the kind of distressing experience that probably should be avoided. Thus, the chief of an American delegation who avoided doing or saying anything unpredictable might well be more successful, even though from the American point of view his approach might be considered less than imaginative. In contrast, among many Americans there is almost a predilection for what might be called "the crisis approach to decision-making," where the drama of new developments and new turns is viewed to be what gives excitement to, and injects interesting new options into, the problem-solving environment.

Other kinds of sudden changes also fall into this category. The Japanese leadership was upset by the fact that the United States began opening contacts with Communist China without prior consultation of the sort they felt they needed. Changes of policy by the United States during the early 1970s in financial matters (currency issues, textile import regulations, soybean sales, and other subjects) were perceived to be further examples of distressing shock, the famous *shoku.*

The Serial Order of Discussion

The serial order in which discussions normally proceed varies between the two cultures. Even trivial differences in procedural expectations can create problems. For example, the opening words of an American speaker are likely to be something in the nature of the traditional toastmaster's joke. In sharp contrast, a Japanese speaker beginning his presentation is more likely to make an apology. This is a polite gesture, almost called for. The apology may relate to something that the American side would not find at all offensive or even important. To open with an apology may seem so strange a note that the Americans may puzzle: What did they mean by that? Are they trying to put us off? At the same time, for the Japanese, an American's opening joke is equally disarming, and of course, more disturbing if cultural differences make the joke so incomprehensible in translation that it is not even recognized as a joke. "What was that all about?" the Japanese side may wonder.

Moreover, Americans often want to order the discussions in a more systematic way than the Japanese side would prefer. The concept of taking on one problem at a time is promoted by American culture. The Japanese, on the other hand, prefer *haragei;* i.e., they would rather talk around an issue, get a view of the whole picture, and only then go into detail. This often leads to a perception on the part of Americans that a Japanese counterpart is digressing from the issue at hand, that he is not holding to the specific order demanded by logic or even to an agreed-upon agenda. The Japanese tendency also is to prefer avoiding any area in which major agreement is obviously not going to be easy and moving on to another topic, hoping that by the time that the first issue is returned to, a wider consensus will have been reached that will make it easier to find accommodation. This proves frustrating to American negotiators who feel that the Japanese are trying to "avoid the issue." For Americans, the "real issue" is likely to be defined as that on which there is the *least* agreement.

Avoiding Conflict and Confrontation

The Japanese desire to avoid any form of confrontation reflects their desire to work in terms of consensus decisions, to avoid surprising turns of events, and to prevent embarrassing situations. *Haragai* plays a role here. Japanese negotiators faced with a very contentious situation may seem, psychologically, to leave the scene of contention completely, retiring into a sort of contemplative state while they are trying to think over how the matter can be dealt with and to make sure that none of their actions will lead to further embarrassment.

The Japanese find most disappointing the American tendency to pass over very quickly all areas on which there seems to be agreement, and to seek out the areas of possible disagreement in order to arrive at "clarification" and "resolution." Japanese negotiators would, instead, find it much more comfortable to dwell on the areas of agreement at considerable length, hoping that thereby the other areas will be put into the proper perspective or framework and that personal understandings will be developed that will allow for future consensus. To Americans this is likely to seem a waste of time.

The American tendency to use lawyers to interpret understandings, and to evaluate decision-making in terms of what is called "adversary proceedings," strikes the Japanese as particularly strange. The idea of sides entering into a direct confrontation before efforts have been made to identify areas of agreement seems exceedingly unproductive to one raised in the Japanese school of decision-making.

As part of the interest in perceived harmony, and related to some extent to the importance of avoiding embarrassment, Japanese culture has a much higher propensity to use go-betweens in the negotiation process. The use of go-betweens, whether it is in arranging marriages or in making political deals between factions, allows the Japanese to avoid direct confrontation. The go-between plays a role that insulates both sides from possible embarrassing statements and recognition of any conflict of interests.

Delays

Consensus decisions mean that policy initiatives in Japan tend to depend heavily on persons operating at the middle levels of the organization, especially on people with broad expertise in technical matters. These mid-level experts rely on their ability to put together data and other information that will support the decision-making process and, of course, the specific policy that they have recommended to their superiors. For this reason, Americans going into the early stages of negotiation with the Japanese are sometimes very frustrated to find their Japanese counterparts asking for exceedingly detailed information. The Japanese, of course, need this type of information to build the foundation for whatever decisions they intend to put forward within their own system. The American interpretation is often that their Japanese counterparts are asking for unnecessarily detailed information simply because they wish to play for time.

When properly understood, this situation is one that can be utilized by the American negotiator. By giving heavy priority to supplying his Japanese counterparts with comprehensive and reliable data, he can greatly increase the chances that the Japanese will come up with a better and more realistic policy on the issue.

Finality of Agreement

The nature of their culture leads Japanese to see any formal agreement as only one step in a long-term process of adaptation, rather than the logical conclusion of a debate. They are often surprised at the degree to which American negotiators seem to want to come up with a "final decision" on an issue, and with the American need to claim public credit for having negotiated a favorable outcome for U.S. interests. The Japanese assumption is that many changes and adaptations will have to be made in any agreement as future developments require. The Japanese acceptance of the on-going nature of all agreements often leaves Americans to conclude that the Japanese had made some earlier agreement in bad faith.

Since Japanese negotiating positions have to be so laboriously worked out through a process of consensus, their negotiations with foreigners often require concessions that have not been fully reworked through the entire consensus formulation process. This means that the Japanese negotiators may have been faced with the decision whether to delay all agreement during international negotiation or to go along with what they consider a general agreement—hoping that adjustments can be made after they check back with their individual agencies and with other parties in Japan who had not yet been consulted on changes in the original consensus. This sort of decision to sign seems fair and proper enough from the Japanese point of view. It also saves considerable embarrassment—but it can be viewed in retrospect by Americans as having been "less than forthright."

The Japanese often seem puzzled by the enthusiasm with which the American side greets the "successful conclusion" of a negotiation. The real success of the negotiations may, however, not be reflected in the terms of the document signed but in the degree of success the Japanese side will have over succeeding years in informing key opinion leaders in Japan on the need to follow through and put the general principles into practice.

6.

Experiencing the Japanese Negotiating Style

Donald S. Abelson

The Office of the U.S. Trade Representative is responsible for coordinating trade policy in the U.S. government. My responsibilities in that office involve technical trade barriers, such as standards, specifications, required tests, or certifications that prevent trade. Consequently, I have experienced first-hand many of the problems Americans have in dealing with the Japanese.

I have no expertise in Japanese language and culture, but I do understood how standards can be manipulated, testing can be conducted, and certification can be applied to make it difficult or nearly impossible to get products into a country.

The French are experts at this. For example, in order for a car to be driven in France, it must be certified. The French, who do not like Japanese cars, use the certification regulation to restrict imports. They only want 3 percent of the total volume of sales per annum in France to be to Japanese cars. Hence they will tell the certifiers exactly how many Japanese cars they are to certify each year. They also inform the importers of Japanese cars how many certifications will be given out. If one more car than the prescribed number is imported, it will not be certified. Yet the French claim not to have import quotas. The Japanese are very good at this too.

The Standards Code

In April 1979, after several years of negotiations, the Standards Code, part of the GATT (General Agreement on Tariffs and Trade), was agreed upon. However, another six months would be necessary before it was actually initialed. In the United States, this Standards Code was going to be put into law; it was not to be made a treaty. Before passing the legislation, Congress wanted to be assured that the four major trading countries

(Europe, Japan, Canada, and the United States) would also agree to the Standards Code. The United States received the necessary assurances from Europe and Canada, but Japan said, "We'll put this into effect in the beginning of our fiscal year 1980, which starts April 1, 1980." So the Congress wanted some assurance that the Japanese were actually going to put it into effect. We entered into some side negotiations and eventually came up with a text for an agreement which was signed on December 7, 1979. It was initialed, I should say, and there were no names put under the initials of the negotiators. Then they drank champagne and that was it.

Working through an Agent

Since then, I have learned never to accept initials unless the name is written underneath. Initials alone are worthless. Essentially the Japanese threw that initialed document into the wastebasket. They must have viewed it as something that we Americans needed because we are so overly legalistic. We had two negotiating sessions and it was over. It was to satisfy the Congress, the Japanese must have thought, and that was that. Who cared?

Well, the Office of the U.S. Trade Representative cared. We gave Japan a list of twelve product areas that we wanted to talk about—standards, testing, and certification.

One of the product areas, for example, was recreational boats. The Japanese requirement was that each motorboat, etc. be "tested." The tests for the boats were unique. They were hoisted up 50 feet, dropped onto concrete, and, if they did not break, they passed. Not very many of our boats passed.

Telecommunications was another of the product areas. The Japanese approval system for telecommunications was run by the major Japanese supplier of telecommunications products. Therefore, not very many of our products got approved. We were competing with the major supplier.

Electrical appliances was another area we wanted to negotiate. Refrigerators could be imported into Japan—only the very large ones, because Japan was manufacturing the small ones—but all the cords had to be removed from U.S. refrigerators. The six-foot cords were taken off and four-foot cords were put on. That made absolutely no sense to us.

But the major issue that eventually emerged was that Americans—as foreigners, aliens, maybe even barbarians—

cannot be subject to Japanese law. The Japanese are subject to Japanese law, but foreigners have to work through a filter. That is the Japanese agent. Now, why would American businessmen care? Obviously, they do not know Japanese. Most Americans do not learn it, so they must use some sort of agent. But this type of agent is also the legal entity who is approved in Japan to handle U.S. products.

If you are, for example, a producer of telephones and you work through a Japanese agent, and he exercises control over the approval that you have obtained from the Japanese government, that is not necessarily very significant. The agent's control of the approval means that the certification to operate in Japan resides with him, as does ownership of any data that you supplied in the process of getting approval. This includes test data that you would have generated in your laboratory or in a Japanese laboratory. In the telephone business, the value of that data might not be very high, but if you are a maker of pharmaceuticals, where data can sometimes take six years to generate, it is another story. You have done long-term stability testing at the cost of hundreds of millions of research dollars. Then you are talking about something significant.

Imagine that you are a U.S. pharmaceutical manufacturer. You work through Japanese Importer A but want to change to Japanese Importer B. The product, manufacturer, and site of manufacture will not change, but you would have to re-register. But this would not just be paper pushing. The entire information base would have to be regenerated by research. The data that you submitted through Importer A would have to be regenerated. You would not be able to just take it from Importer A because he owns it. Instead you would have to go back to the laboratory and spend six years regenerating all the research data.

In pharmaceuticals there was also a requirement in the 1970s (not in place any longer) that if a company changed from a joint venture to a wholly-owned subsidiary, the legal agent was considered new and would have to re-register, beginning the whole process over again.

Working in Slow Motion

The United States wants to export processed foods to Japan. It was an unnerving experiencing negotiating with the man who determines what can be eaten in Japan and what cannot. Dr. Fuji, the director of the Food Chemical Bureau in the Ministry of Health and Welfare, sat during our first negotiating session with his eyes closed. I had no idea what was going on. Finally, he sat up and said, "We do not want your processed food in my country. It is not good for our people and, in addition, women belong in the home behind the stove chopping and cutting." Then his eyes closed again, and that was all we heard from him.

On my left and right were our negotiators from the Agriculture Department and the Commerce Department who, when he said that, seemed about ready to jump across the table and strangle him. Of course, that did not happen. Interestingly, three years later, Dr. Fuji turned out to be our closest ally in getting the Japanese to open up their processed food market. I am still not sure whether he learned more about us, or we had learned more about his problems. Maybe both.

But in the first confrontational meeting with Dr. Fuji, he was summing us up. He spent three negotiating sessions doing that, and periodically telling us no, it could not be done. Apparently he wanted proof that we were really serious. He wanted his counterparts from the Food and Drug Administration of the United States, the Directory of the Bureau of Foods, to raise this issue with him in private consultation. He did not think the U.S. government would actually do it; he was aware of U.S. bureaucratic infighting. "FDA does not talk to so-and-so, and U.S.T.R. doesn't talk to Commerce, and State talks to nobody." The Japanese are alert to all of these things. He thought that the U.S. government could not bring about such a high-level exchange. But after we all got our act together, our director of the Bureau of Foods had discussions with Dr. Fuji about it, and his attitude changed totally.

In addition, we promoted various exchanges—between U.S. and Japanese grocery manufacturers, for example. A teacher at the Massachusetts Institute of Technology, who had taught the son of the largest food company in Japan, contacted the son and had him start doing things. All roads were leading towards Rome; the Rome that we were looking for was an increased use of U.S.-approved food additives in Japan, because then we could increase the number of products that we could sell in Japan. This way of resolving problems takes years, not months. In Japan quick agreements never seem to stick. They are like that document negotiated in 1979. They just get thrown into the wastebasket.

Obtaining Information

It is especially difficult to get information from the Japanese. Often it takes us years to piece together the answer to a question. For example, we wanted information about what ingredients are approved for use in cosmetics in Japan. If a U.S. company wants to sell lipstick and eye make-up to the Japanese (a big market) it must know what ingredients can be used. We obtained one list that was supposedly official and complete. However, U.S. lipsticks and eye-shadow were still being turned back at Japanese ports.

We soon found out that there was another list. It was called the "traditional list." When we asked for the traditional list, however, we were told that it was really not a list and of course not available. But we later confirmed that it did exist in practice.

What is the traditional list? The traditional list is those ingredients that are traditionally used in cosmetics. "Everyone" knows they can be used—"everyone" who is Japanese, that is. The United States interpreted the Japanese refusal to give out the standards in the traditional list as an infringement of the Standards Code. That was American legalism. The Japanese continued to insist that the traditional list was not really a list, and that in a certain sense it did not really exist. The years 1980, 1981, and most of 1982 passed; we were still asking for the list.

In November of 1982, someone came up to a colleague of mine from the Commerce Department, as he was walking out of a meeting of the Trade Subcommittee, and handed him a list. It was all in Japanese. Even the cover note was in Japanese. And he said, "What's this?" The gentleman who handed the paper to him said, "This is what you've been asking for." There it was in black and white—the traditional list. No formal presentation, mind you, because it was only the traditional list. There is no need to make a formal presentation of something which should be known to everybody.

One might assume that precedents would be set by these events, that the next time the United States asked for a traditional list, the Japanese would say, "Ah, we know what you're talking about. Sure, we'll have it for you soon." But that has not been the case.

General Principles vs. Individual Cases

Recently I asked for a complete list of acceptable components for wine and distilled spirits. This was the eighth time during the year that I had made this request. We need it since the United States wants to ship wine and distilled spirits into Japan and we want to make sure that U.S. products do not contain something that is not allowed.

For one year I asked, "What do you allow in those products?" At first the Japanese representative said, "We have no requirements. Actually there are just two. There are two additives that are not approved. This is the only rule we have." However, when I told Bureau of Alcohol, Tobacco and Firearms personnel about the two additives, they said, "That can't be, because what about PCBs?" So I went back to the Japanese representative who said, "Oh, you mean *contaminants.*" So I said, "Fine, what are the additives and contaminants." He told me, and I went back to the ATF and they said, "What about preservatives?"

We are now using the word "elements" or "components," and we have three paragraphs defining exactly what it is we are looking for. I believe it will still be a long time before someone in Japan understands what we are looking for.

My colleague at the Japanese embassy from the Ministry of Health and Welfare said, "But you mean everything?" When I told him I did indeed mean everything, his reply was to ask me if we had had any specific problems. His approach illustrates a major difference between the United States and Japan. We Americans want to solve things across the board by establishing a general principle to which we will all adhere. The Japanese want to solve things on a case-by-case basis. "Have you had any problem selling your wine?" "Well actually I wouldn't know about that, but what I want to do is avoid any future problems." "No, but what are the *actual* problems?" We will go around like this for another year.

These exchanges take place on a government-to-government level. Imagine the poor American exporter who is trying to deal at a very low level with a Japanese bureaucrat. If U.S. trade representatives cannot get the information, you know that a lone exporter is never going to get it.

The Case of the Aluminum Softball Bats

I am proud to say that, as a result of the aluminum softball bat issue, which I will describe, the Japanese changed 16 laws in 1983; and the changes of laws took place within a four-month period—not four years but four months. When I began working on the aluminum bat issue, I was told that the United States would never get the Japanese to change any of their laws. How did it happen?

Softball is a national pastime in Japan. It is closely followed on television. The United States was selling aluminum softball bats in Japan during the 1970s. (In fact, the Americans had invented the technology that allowed the bats to be made.) The bats, at that point, were designed with a plastic plug on the top. The aluminum was not flexible enough to smooth over the top. Two people were killed in Japan when the plugs flew off the end and hit somebody in the stadium. (As a matter of fact, the two bats that caused the injuries were Japanese-made bats, not American imports.)

In 1977, baseball bats were brought under the jurisdiction of the Consumer Product Safety Law in Japan. To be sold in Japan, bats had to bear two government seals—the S mark and the SG mark—S for safety, SG for safety of goods.

American-made bats were inspected lot by lot when they reached Japanese ports. That meant opening up the crates, opening up the boxes that the bats were in, taking the plastic shields off, inspecting the bats, subjecting them to destruction testing, and then, if they were approved, individually putting the seals on every bat, putting them back in the plastic shields and back into their boxes, and then back in the crates. Only then could they be sold in Japan. This procedure was obviously unacceptable. The United States lost the Japanese market—just at the time the Japanese were beginning to make aluminum bats themselves.

The Office of the U.S. Trade Representative started to raise the issue with the Japanese, stating that the procedure violated the Standards Code. This was done informally but the implication was that the issue would be raised formally and officially if it went too far. The Japanese reply was that we did not understand their system.

Eventually we were told that the American manufacturer could obtain the seals so that each individual shipment of bats would not have to be inspected. However, when the manufacturer flew to Tokyo and attempted to get the S and SG seals, he was told that the seals could not be given to foreigners. The Consumer Product Safety Law calls for the Japanese government to fine or sentence to jail a violator of the law. "How," the Japanese asked us, "could we ever throw a foreigner in jail? It just doesn't make sense."

Their law begins, "the manufacturer shall. . . . " There is no adjective. The law does not say the "domestic" manufacturer. However, the Japanese bureaucrats told us that the word 'Japanese' was implied." The Cabinet Legislative Bureau, right under the Office of the Prime Minister, agreed; they issued an interpretation that "manufacturer" meant "Japanese manufacturer."

My office then started to discuss other laws, to look for the implied adjective "Japanese." And it was everywhere! Therefore, at one key session, we sat down and said, "We've got to get across to you what we're talking about. We're talking about equality. We're talking about justice." And we said, "Do you know what the words 'separate but equal' mean?" The Japanese were absolutely straight-faced; they had no idea what we were talking about. "We don't like separate but equal in the United States. It evokes luncheon counters at Woolworths in the south." Straight-faced. We said, "It's really unacceptable to us to be considered separate but equal. We want to be equal." But there was no communication; we were flying on different courses.

Finally, in December 1982, after interminable negotiation, one Japanese representative said to me, "What's your request?" And I said, "What do you mean?" He said, "Write it down. Whatever it is you want, write it down." So I thought, "Great, what do I want? Equality." So I wrote, "The government of Japan shall establish a new national certification policy." In January 1983, it was agreed to by the Japanese that they would study it. In March, a report of Inter-Ministerial Council agreed to change 16 laws. In April, the Cabinet approved the report, and on May 18, a total of 16 laws were changed. We now have equality in Japan, in that regard at least.

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PART THREE

Understanding the Policy-Making Institutions

7.

Prime Minister and Bureaucracy in Japan

Haruhiro Fukui

It is impossible to generalize about the role of the prime minister of Japan. It varies a great deal from person to person. Depending on the period, the conflicts, the actors, the prime minister may or may not be involved in policymaking.

Most important is the prime minister's relationship with the Liberal Democratic Party, where he is required to balance the power of various contending factions. But beyond that, his role and performance will depend very heavily on his expertise—the kind of knowledge and information that he commands on issues. On certain issues, a prime minister feels comfortable; on others he does not.

Both party and bureaucracy respond to external influences, particularly domestic economic interests, but also to international pressures. Ultimately neither the politicians nor the bureaucrats are completely independent.

Since the 19th century, the Japanese bureaucracy has developed a rather formidable degree of autonomy. Within the bureaucracy, it is generally the middle level which is critical in policymaking—the initiation and implementation of various policies takes place there.

How bureaucrats initiate policies and get them up to the higher echelons within the bureaucracy itself and ultimately to the cabinet and prime minister depends very much on the personal qualities of the division chiefs or deputy division chiefs themselves. Again it is difficult or at times impossible to generalize very broadly.

The Physical Environment of Consensus

Throughout the Japanese bureaucracy, and presumably also in most corporations and private enterprises, decision-making is physically constrained. This is particularly true at the division level. In a Japanese ministry, the Ministry of Foreign Affairs or Finance for example, about 30 bureaucrats will be working in one large room at neatly arranged desks, each with a telephone on it. Usually the division chief is sitting at the end closest to the window and is facing the rest of the officials. A deputy division chief sits at a desk next to the division chief.

In this kind of physical layout where everybody sees everybody else, and where all the people involved in one task or type of work are grouped together, decision-making is physically constrained. Whether they like to or not, they hear the next guy talking over the phone. There is no way to hide anything from anybody else. In this situation, consensual decision-making is inevitable.

Coordination

The Ministry of International Trade and Industry (MITI) has perhaps been the best coordinated ministry. It has done better than other ministries in coordinating the interests and viewpoints of various segments that it comprises. There are conflicts and disputes, but these are usually settled quietly among themselves.

The Japanese exhibit loyalty to their families, their households, their companies, and their schools. MITI people feel loyalty to MITI itself, rather than to a bureau or division within it. An official in the Ministry of Finance, on the other hand, is loyal to his bureau rather than to the whole ministry. The bureau is the working unit, and that is where coordination takes place. Therefore, the director-general of a bureau in the Ministry of Finance is often very active and usually expected to be effective, whereas in MITI, it is usually the minister, the vice-minister, and the division chiefs who are most prominent.

My impression is that the Ministry of Foreign Affairs has been losing much of its effective decision-making power over the years. It still plays a very large and usually effective role in coordinating the interests of various ministries when the Japanese government, as a whole, engages in international negotiations such as GATT (the General Agreement on Tariffs and Trade) or the Law of the Sea Conference. Nonetheless, most international issues are increasingly settled directly by officials of various ministries other than by the Ministry of Foreign Affairs. This has narrowed the range of effective planning and

Networking and Old School Ties

I have noticed during my experience in Japan that it is quite true that political initiatives come from the middle-level of the bureaucracy—especially from the important middle-level institution, the section. Some section chiefs are much more aggressive and much more successful than others in moving ideas forward. Their success depends on something unique to the Japanese system, networking that is built on relationships that began in the old days in high school. The practice has probably changed a little over time, but it certainly continues today, through links established by common background in the university and even the same departments in the university. It is remarkable how closely former classmates continue to work together once they get up into higher positions in the bureaucracy and in the government. This helps a lot in assuring success in any initiatives taken by group members.—William T. Breer

coordination that the Ministry of Foreign Affairs can claim in the system.

Negotiation

Generally speaking, the prime minister of Japan does not get involved in actual negotiations with foreign governments. The instinct of the prime minister is to avoid involvement in any controversial issue. Higher ranking officials, particularly the prime minister and the cabinet ministers, try to stay away from the management of day-to-day issues as much as possible and concentrate on long-range planning and oversight.

Party Factions

Every Japanese prime minister leads a faction in his party. When the faction is small, the prime minister is that much weaker. Prime Minister Takeo Miki, who led a small faction in the party, saw his power break down very quickly. Yasuhiro Nakasone came in as leader of a relatively modest faction; hence his policy initiatives were that much more vulnerable.

However, the effectiveness of a prime minister's performance as a policy initiator or policy enforcer is not determined solely by his position in the party. Much depends on how the Prime Minister controls and manipulates the bureaucracy as well as the party. Style and skill are important here, as always.

8.

Political Parties and Factions In the Japanese Policy Process

Susan J. Pharr

Japan has a unique political system: the Liberal Democratic Party (LDP) has been in power since it was formed in 1955. In fact, for 100 years a conservative force has been in power in Japan. In the post-war period, except for one brief episode, Japan has had conservative parties in power, all of them with similar traditions.

Contrast this stability to the situation in Great Britain where the Labour and the Conservative Parties are continually in and out of power; or take Italy, with its endless governments and coalitions formed from different parties. There is nothing very similar to Japan's system in any of the advanced industrial societies—other than Sweden, where the Social Democratic Party remained in power for 44 years.

Today the LDP is very securely in power in Japan. There had been talk in the 1970s that some coalition might come to power; however, since the election in 1980, the LDP has been able to deal with the problems it had. As of 1983, it commanded 56 percent of the seats in the 511-member lower house.

Does this mean the LDP has no opposition? Clearly not. There is a very complex opposition system that I will describe briefly.

The Five Political Parties

There are actually quite a number of political parties in Japan. They span the ideological spectrum. From left to right they are: the Japanese Communist Party, the Japan Socialist Party, the so-called "clean government" or Komeito Party, the Democratic Socialist Party, and then the LDP. Some experts might dispute this line-up, and it is far more complex than this listing indicates. For example, the Japan Socialist Party is divided into factions, some of which are further left than the Japan Communist Party itself.

The opposition parties agree that the LDP is "too pro-business," and they tend to espouse policies that they would call "pro-people-type" policies. They would favor tax cuts, greater pollution control, various welfare measures, and so on.

Of much concern to U.S.-Japan relations is that, in general, the parties to the far left—the Socialist and the Communist Parties—have generally felt that the mutual security treaty tying the United States and Japan together was a mistake. They have favored a policy of unarmed neutrality and are opposed to military spending.

The opposition parties, however, have fundamental ideological disagreements between themselves that far exceed the areas of agreement. The Socialists and the Communists, for example, disagree over whether, at a theoretical level, Japan should have a one- or two-stage revolution. These kinds of disputes have kept anti-LDP coalitions from forming.

Thinking about the Future

In Japan, where one party has been in power a very long time and there is a consensus on basic values, the government does not have to spend much time eliminating ridiculous alternatives. In countries where governments continually change from party to party, a lot of time is devoted to carving up and dismantling what the previous administration had done.

In Japan, continuity in government makes it possible for leaders to devote time to thinking about the future. Japan spends a great deal more time thinking about the future, more than any other government, especially in terms of economic planning. The government looks into the future, through the '80s, and into the '90s, trying to predict what kinds of products are going to be in demand or where Japan should put its emphasis. Political stability has freed up the Japanese to engage in that kind of thinking.—Susan J. Pharr

Many people would say that cultural factors unique to Japan also keep coalitions from forming. The notion of loyalty to one's "house" refers to political parties, too. Socialists cannot form a coalition with Democratic Socialists, who are outsiders. In general, because of the Japanese social and organizational system, it is very hard to form coalitions across groups.

One of the major reasons that the LDP has stayed in power, is simply that the opposition camp has been unable to form a coalition. But the LDP is also very strong. It has established a track record that is difficult for any opposition party to challenge. The LDP has presided over the economic miracle of Japan's transformation to a major industrial power. In Japan even people who may not like the LDP much feel a kind of grudging respect for what Japan has achieved under LDP leadership.

Factions in the LDP

The LDP is divided into six major factions. There are also independents within the party, but it is these six factions and their own internal manipulations and jockeying for power that constitute Japanese political life that the average voter follows every day in the newspapers.

The factions are divided into two groups. One group is called the mainstream—and that means those factions that are lined up behind the current prime minister. With Prime Minister Yasuhiro Nakasone in power, the mainstream factions are Nakasone's own faction, the Tanaka faction, and the Suzuki faction.

In the other group are the "anti-mainstream" factions, made up of LDP leaders who are opposed to the current prime minister and who hope that they can eventually jockey into position to shove him out and put one of their own people in.

Politicians head factions in hopes of eventually having a turn at being prime minister. Individual members of factions, hope to get good posts within the party and to be given money for their own campaigns. It takes big money in Japan to run for political office. People expect their faction head to deliver that money to them. The policy difference between the factions are almost insignificant; the name of the game is not policy differences but power.

Agreement on Policies

There is an incredible amount of agreement in Japan over how politics should be conducted. It grows out of the fact that one party has been in power for so long. The Japanese agree that the U.S.-Japan relationship is critical for Japan; they agree that some type of defense is necessary and generally support defense spending; and they agree that there should be a close relationship between business and government in Japan. The disagreements among the factions are, in fact, very minor in relation to that overall picture of agreement. Many people in the U.S. government do not really appreciate the extent of agreement. Someone like Nakasone may come in, and the immediate U.S. reaction is relief because he's strongly in favor of the United States and defense spending. The fact is they all are. All the recent prime ministers of Japan under the LDP have had extremely similar points of view.

This also means that the United States cannot expect one prime minister to deliver more than what the national consensus allows. In Japan no one comes in to try to change the course of the government; there are no Mitterands or Thatchers. Change is incremental in Japan. Even Nakasone, who is associated with a strong pro-defense position, could not make any major changes in military spending, not until there is a growth of the consensus on the issue within the LDP itself.

Even though one party has been in power there for a long time, Japan is not filled with people who mindlessly support that party. The irony of Japanese politics is that most people are very disillusioned with the LDP. In various surveys, the Japanese say that they think the LDP is filled with crooks. They say that politics is very dirty in Japan, and they disdain much that the LDP does.

Role of the Opposition

It is important to ask what significance a large opposition camp really has, if it has never been in power. Does it matter that Japan has all these oppositon parties? Does the opposition make any difference? I would argue that the opposition does matter. First, as suggested earlier, the opposition sets parameters around what the LDP feels it can do. That is very significant. Surveys of LDP members reveal that they are far more in favor of defense spending than the average person in Japan. They are far more in favor of a close U.S.-Japan relationship than the average person in Japan. Yet LDP policies are extremely cautious and are well within the consensus that binds the LDP together with its voters. In other words, there are some outer constraints that are set by the existence of the opposition.

Second, the LDP responds to the opposition in a very remarkable way. It follows a policy of pre-emptive concession. When socialists and opposition party members raise an issue, such as environmental pollution, and give it a major national importance, does the LDP wait until the issue threatens their position in power? No. They pre-empt the issue. For example, in the early 1970s, there were several Diet sessions in which some of the most progressive anti-pollution control measures in the world were brought into law. These were masterminded and led by the LDP itself, and served to take the issue out of the hands of the opposition.

9.

The Role of the Media in Japan

Marshall R. Louis, Jr.

Japan is one of the world's most intensely media-saturated environments. NHK, Japan's non-commercial public service broadcasting corporation, operates two networks of radio stations. One is general service and the other educational. These include 141 stations on AM, and 484 on FM. It also oversees the broadcasting service, Radio Japan, which broadcasts in 21 languages. In addition to the NHK system, there are over 50 commercial broadcasters operating 193 stations throughout the country. The national total is nearly 1,100 radio stations.

NHK operates two nationwide television networks. Again, one is general service and one educational. These networks have 70 major branch stations. In addition, commercial television broadcasters operate 94 stations. According to 1980 surveys conducted by NHK, the average TV watching time per capita per day in Japan was 3 hours and 11 minutes.

There are five national, four regional, and over 100 local and specialized daily newspapers, with a total circulation—morning and evening editions combined—of close to 70,000,000. There are also two major Japanese news agencies, Jiji Press and Kyodo News Service, which maintain an extensive bureau of overseas correspondents, along with the major dailies and television networks.

The first four major national dailies *Yomiuri, Asahi, Mainichi, Sankei,* and *Nihon Keizai,* also publish weekly magazines with a combined circulation of close to two million copies. Readership of national and regional dailies, according to 1980 figures, averages 1.3 newspapers per household and 2.5 readers per distributed copy.

There are also close to 3,500 general periodicals published in Japan. Approximately 2,300 of these are monthlies and 93 are weeklies.

The extraordinarily high literacy rate in Japan accounts for the high level of newspaper readership there. I am not sure if Japan has the highest literacy rate in the world, but if it is not the highest, it must be at least one of the two or three highest. The literacy rate is somewhere around 99 percent—in a language that is exceptionally difficult for even the Japanese to learn to read.

Japanese Journalists in America

The Japanese news agencies and media organizations have perhaps the largest contingent of correspondents in the United States of any nation. In Washington, D.C., there are currently approximately 55 resident American correspondents representing 18 media organizations, which include the five TV networks, the two wire services, the major daily newspapers, and some of the regional newspapers.

In contrast, there are close to 400 Japanese media representatives in Washington alone—if one includes technical and support personnel. In New York there are another 30 or so Japanese correspondents, representing 12 media organizations. Many Japanese media also have West Coast bureaus in Los Angeles, and some of them are expanding into other regions of the United States as well. For example, this year *Nihon Keizai* opened up a bureau in Houston.

These figures show how much coverage U.S. issues receive in the Japanese media. It is truly extraordinary how much information about the U.S.-Japan relationship is available to the average Japanese citizen and how much attention the average citizen pays to this information. This coverage is most impressive when compared with the scanty U.S. media coverage of events in Japan. When I was in Tokyo there were some 35 U.S. press representatives there, and as far as I kow, only two could both read and write Japanese with any fluency.

Lack of Diversity

In spite of the large number of Japanese media organizations, there is a surprising sameness in the way current events are covered. The press club system probably accounts for this lack of diversity. In this system, perhaps unique to Japan, each of the Japanese government ministries has attached to it a formal press club through which coverage of that ministry is promulgated. Clubs elect their own members and decide who can

A Changing Relationship

One of the things that I find helpful in thinking about the future of the U.S.-Japan relationship is to keep in mind that it has been steadily evolving and changing over the last 35 years. That process of change will continue into the future, and we should be trying to see what the nature of the change is going to be.

In the future Japan is likely to be more assertive; it is likely to try to play a larger part on the world stage. The United States has been urging this assertiveness on them. In fact, Japan may very well be at one of those points in its history of contact with the world where it is again going to move out. In its 350 years of interaction with the rest of the world, Japan has not always been a tight little island. If these predictions come true, then the United States is going to have to change gears very considerably in the way in which we deal with Japan.—Thomas P. Shoesmith

be included and who cannot. As a result, it is extremely difficult for non-Japanese media representatives (whether American or of other nationalities) to get the kind of access to firsthand information that they would like to have.

In fact, one of the primary functions that I undertook as press officer of the U.S. Embassy in Tokyo was to help the 35 resident American correspondents to find out exactly what was going on on major issues involving U.S.-Japan relations. They needed this help because they had such difficulty in getting access to information from the Japanese.

Because of the press club system, members of a particular ministry's press club tend not to be critical of that particular ministry in their news stories. The relationship between a ministry's bureaucrats or press office, and a ministry's press club, is symbiotic in the Japanese system. Both parties benefit. A ministry official can get his views promulgated through the cultivation of his association with a particular journalist, and a particular journalist can get interesting copy from sources within that ministry. There are many cases in Japan today of relationships that were developed between particular reporters or journalists and particular bureaucrats, where the bureaucrat moved very steadily up the bureaucratic ladder to a position of great authority and took along with him a journalist who remained his primary contact with the media.

The press club system mitigates against the sort of situation that prevails in the United States where journalists leak information from a department with which they are associated. That sort of thing happens very rarely in Japan. If it did, the relationship of that particular journalist to his press club and to the ministry would be jeopardized. However, a press club will very often publish stories that are fed by ministry officials that are critical of other government ministries. A lot of the bureaucratic infighting that goes on within the Japanese bureaucracy is carried out in the pages of the newspapers.

Facts and Opinions

In Japan, news articles invariably contain a great deal of opinion and commentary, more than would probably be acceptable to an American news editor. Woven into a factual description of an issue, there tends to be a great deal of speculation in Japanese newswriting, much more so than in U.S. newspapers.

Editorial control over the content of news stories is much less strict in Japan than it is in the United States. In Japan, the editing of news copy is largely restricted to editing for space and style rather than for content; this gives an individual journalist a lot more leeway in putting his opinions into news stories.

Except for media organizations' foreign correspondents, there are very few, if any, by-line news stories published in Japanese newspapers. This reflects the fact that newswriting and the paper's own editorial commentary tend to be very consensual in Japan—which is not surprising, given the consensual nature of many other institutions there. No one individual really stands out.

Lack of Understanding of U.S.-Japan Issues

The Japanese foreign press corps are a rather exceptional group of people. They are fluent in other languages, and they have had contact with other styles of news gathering and dissemination. However, there are very few journalists with such experience in the pool of Japanese media professionals. Although many foreign correspondents return to Tokyo with an understanding of American policy as it relates to Japan, little of that understanding ever gets translated into their actual newswriting.

To a degree unheard of in this country, the Japan media very self-consciously see themselves in the role of educator to the Japanese people. The newsman in Japan sees himself as verifier and promulgator of commonly-held attitudes and beliefs. Since Meiji times, the Japanese media have tried to teach the people how to deal with the outside world within the context of traditionally accepted and commonly held Japanese attitudes and habits of thought.

Vagueness is often the result—vagueness that baffles and frustrates Americans, even Americans fluent in Japanese. Journalists go well beyond the factual information being conveyed in the main text by presenting a "sub-text", which will very often hark back to a conventionally-held attitude or point of view. Often this attitude or point of view may not be explicitly expressed and will be incomprehensible to a non-Japanese reader. Much of this vagueness is virtually untranslatable.

For example, the Japanese feel that liberalized imports of American beef would literally destroy the foundation of Japanese society, which is Japanese agriculture. No matter how many times an American official argues as specifically as possible that there is a place in the market that would not disrupt the existing Japanese beef producers and that beef imports would be of great benefit to the Japanese consumer by bringing down prices overall, and no matter how many times a particular Japanese journalist who may have had experience in Washington says, "Yes, that's right; I agree," his stories always are written with an appeal to the traditional interest group that underlies the whole structure of Japan culture. The Japanese journalist cannot communicate a new way of looking at things and appeal to the traditional interest groups at the same time.

Very often American officials who complain most bitterly about being misrepresented in the Japanese media are viewing the Japanese media through culturally-tinted glasses. They fail to understand some of the factors that I have briefly outlined here. One thing is sure, even if the American officials present factual information very clearly and even if they reiterate certain points time and time again, that will not necessarily alter the way the information is treated in the media in Japan. Everything is colored by attitudes and habits that pre-exist any particular issue or story. If a change is to come in terms of dealing with the outside world and understanding other perspectives, it will come extremely slowly. Direct factual argument does not seem to affect the outcome.

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PART FOUR

Economic Issues

10.

Japan's Industrial Policy

Robert L. Innes

Washington may have figured out Japanese industrial policy only recently, but the English-speaking world has known something about it for some time. According to an article in the *Economist* (London), June 2, 1967, "The ultimate responsibility for industrial planning for deciding in which new directions Japan's burgeoning industrial effort should try to go, and for posturing and protecting business as it moves in those directions lies with the government."

This philosophy of what the government ought to be doing is by no means dead in Japan. Even today the bureaucrats and the industrial policy bureau of the Ministry of International Trade and Industry (MITI) would still subscribe to that idea. However, not many Japanese businessmen would agree with them. Furthermore, if this conception was ever a reality in Japan's post-war history, it was so only in the 1950s and early 1960s. During that period, controls over imports, and over inward and outward foreign investment gave the Japanese government, especially MITI, tight control over the economy. A businessman often had no choice but to cooperate with the government. For example, if he wanted to utilize foreign technology, he could not get a license to import it into the country without government approval. He needed the permission of MITI.

MITI's Basic Policy

In the early 1950s, MITI came up with the idea of emphasizing heavy industrialization in Japan. Tremendous emphasis was placed on developing industries like steel, chemicals, and later petrochemicals. Now as then, the core of Japan's industrial policy as practiced by MITI, is to focus attention and resources on basic industrial commodities, as opposed to consumer goods.

In the early 1970s, MITI shifted its focus away from the emphasis on heavy industrialization. After the oil shock of 1973, it became apparent that Japan could not expect to remain preeminent in basic materials industries. The rising cost of energy shifted the comparative advantage to other countries. Japan began to emphasize knowledge-intensive industries: microelectronics and computers and (more recently) biotechnology.

One might say that the focus was still on the basic materials of industry. In the 1950s and 1960s the basic material was steel, which was used to make machinery, automobiles, and so forth. Under the new conception, the basic material is the integrated circuit, which is the key component of computers.

When MITI has ventured into consumer goods areas, it has been unsuccessful. In 1955, MITI came up with the idea of having a Japanese company mass produce a mini-car that would be very cheap and readily exportable. The idea went nowhere. In the early 1960s, MITI developed a similar scheme in which auto makers would specialize: one would produce large cars and a couple of others mini-cars, etc. Fortunately for the Japanese auto industry, MITI was never able to sell these ideas.

Factors Contributing to Growth

MITI's industrial policy is only one factor that contributed to Japan's enormous economic growth in the 1950s and 1960s. During that decade, world trade was growing at 10 percent a year or more; export markets were constantly expanding; world energy prices were declining—in particular the price of oil. In Japan's case, these declines were particularly important, because high energy costs would have made it difficult to develop heavy industries.

In the early 1950s, an accord was hammered out between Japanese labor and management. Workers pledged their loyalty to companies, and in exchange the companies agreed to a system of lifetime employment in which wages would be based on seniority. This accord was essential for the kind of investment boom that Japan experienced in the 1950s and 1960s. Without labor-management stability, corporate management would not have been able to go ahead with some of the daring investment projects that they did.

Industrial policy also played a role. The Japanese government was willing to back up the steel industry, the chemical industry, the petrochemical industries, etc. That government support was reassuring to the bankers, who had lent massive amounts of money to finance these industries.

The Eclipse of Industrial Policy

In the 1960s, international pressure forced Japan to commit itself to liberalization of its trade and foreign exchange practices. Once Japan set out on the path of liberalization, it ultimately had to dismantle the import quotas, foreign exchange controls, and the controls on the import of technology which had been the basis of MITI's power in the early post-war years.

MITI's initial reaction was to draft a temporary measures law that would have enabled it to organize business, labor, and government into consultative councils to decide the future of each industry that was deemed crucial to the economy's future. The law would also have given MITI some power to direct bank lending to such crucial industries. Had this law been passed, it would have been the embodiment of the industrial policy that the *Economist* was talking about in 1967. However, the bankers and the industrialists of Japan were alarmed by the part of the law that would have given MITI control over the flow of investment to industry. For that reason they pressured Liberal Democratic Party politicians not to introduce the legislation. Opposition parties joined in opposing the law, which they believed emasculated the anti-monopoly law of the occupation period.

In the end, the law that really would have embodied industrial policy never made it through the Diet. Instead, MITI was reduced to using lesser means, the most important of which was "administrative guidance." Administrative guidance is usually no more than the government's asking companies to do what it could legally force them to do if it had to. Rather than going through all the formalities of invoking the law, the government publishes a notice saying companies must do such and such. Generally companies comply; they know that if they do not, the government could force them to. In other cases, "administrative guidance" may be more vague: a few words whispered over cocktails—MITI does not think the new steel plant is a good idea.

The early 1970s also brought even more restraints on the Japanese industrial policymaker. These included the budget, especially in the late 1970s and early 1980s. Japan has been faced with high government deficits and a relative decrease in the amount of money available to fund projects. MITI has been cutting back on special tax incentives for particular industries. Therefore, today MITI has far fewer instruments with which it can induce businesses to go along with its plans for industry.

The anti-monopoly law was originally passed in 1947, I believe; it was then weakened in 1953, after the occupation ended. The law did not play a great role in the economy during the late 1950s and early 1960s. By the mid-1970s, Japanese consumers discovered that they were paying far more for a Japanese-produced television set than the American consumer was paying—as a result, many questions were raised about the pricing practices of major corporations, and a movement began to strengthen the anti-monopoly law. Since 1977, when the law was amended, there has been one well-known court case involving administrative guidance in which the Tokyo high court held that oil refiners were guilty of price fixing even though they had been guided to do it by MITI. The culmination of these events has been to strengthen the hand of the Japan Fair Trade Commission relative to MITI, and to force a decrease in the use of cartels and administrative guidance by MITI.

MITI and Information Exchange

In many ways, the Japanese economy is more rigid than the U.S. economy. The lifetime employment system has, for example, its drawbacks. It provides for very little mobility among engineers and scientists. In Japan one does not see a flow of personnel from company to company. There is not the constant creation of new companies by people leaving the old companies that is so common in the United States. If a U.S. engineer does not get a good hearing for his idea, he goes out and sets up his own firm. That is the history of the American semiconductor industry. The Japanese employment system tends to close off that option.

One of the functions of MITI's industrial policy activity is to create the kind of fluidity that is natural in the United States. MITI, for example, has tried consciously to organize a program of bringing together people from different organizations.

MITI's early efforts at this were interesting. At first, people from different organizations refused to work together. Each group barricaded itself in its own part of the laboratory and refused contact with the others. Typically, MITI officials have had to spend a year or two trying to break down those barriers

Myths

The myth in the press today is that the Japanese are ten feet tall, that their government always works, that, in fact, it works better than ours.

There is another myth that the Japanese way of doing things cannot be understood, that it is inscrutable—although no one actually says that any more. I think that Japan is exotic, arcane, and it takes a lifetime of being involved in Japanese affairs to understand it—but it is a myth that Japan is inscrutable.

Finally, there is a myth that in Japan there is a grand design—one in which the government is involved—aimed at taking over the world through the sales of integrated circuits.—George R. Packard

between people from different companies. MITI sees these programs as a mechanism for spreading technology.

Japan has a similar problem in spreading information about the capital market—getting people to think about moving their resources from a dead-end product into something with a future. In the United States, much of that is done on Wall Street. Investment analysts are constantly looking at companies and new products and trying to sketch out a vision of their future. In Japan, much more of that activity occurs in the industrial policymaking process. Every Japanese government ministry and practically every bureau has some kind of consultative council composed of businessmen, journalists, academicians, bankers, and maybe some retired government officials. Expert subcommittees of these councils look at the future of various industries and publish reports. These reports get a big play in the press. Thus, the word gets out.

It would be inaccurate, however, to conclude that in Japan the private sector sits around waiting for MITI guidance. MITI does not have enough personnel to make a major contribution to planning and technology diffusion. The industrial policy bureau of MITI has only about 200 people in it. The machinery and information industries bureau (the bureau responsible for overseeing the activities of almost all the high-tech knowledge industries) has only 197 people in it. In all, there are twelve sections in the bureau, each section responsible for one industry—computers, for example. In other words, how much planning can 15 people do for a vast industry like computers, when they also have to do their ordinary administrative duties? The answer is, not very much.

In the end, much of the information that Japanese government bureaucrats pass around comes from industry, from the vast numbers of economists and engineers in industry and in associations or research institutes which are funded by industry. Most of the ideas come from industry rather than from government. Government's role is to put the ideas in a broader public perspective.

11.

Japan's Growing Role in the World Economy

Dick K. Nanto

There is a serious trade problem between the United States and Japan that affects general relations between the two countries as well as the international trade community, international trade law, and the international trading system. Underlying this problem are four basic structural changes in the United States-Japan relationship.

Japan—No Longer a Developing Country

The first change to note is that Japan has become a developed country. In 1960, Japan, with half the population of the United States, had about 8 percent of the U.S. GNP—today it is about 40 percent. Depending on the exchange rate, it can be up to about 50 percent. Furthermore, Japanese per capita income is about 80 percent of that in the United States.

Japan is economically very similar to the United States in superficial aspects. People buy about the same kinds of things. Of course, land is scarce, so the houses are smaller; but inside a Japanese house, one sees things smiliar to those would see in the United States: Panasonic stereos and Sony TVs, and Toyota cars out in the driveway.

Because of this, Japanese manufacturers, who traditionally have produced mainly for the domestic economy, are able to sell their products just about anywhere in the world. They do not have to make a product specifically for export; they can make it for their domestic economy and then, almost as an afterthought, sell it in the international economy. Because of this advance in living standards, quality products can be tested domestically much more easily now than back in the 1950s or 1960s.

As a result of all this, Japan is no longer willing to take a

International Imagination

When I last came back from Tokyo, I tried to get a plane and I couldn't. Every plane in the month of August and the month of July was filled with Japanese taking holidays in the United States. They were mostly young people, students for the most part. The United States is the place they want to come to. And it is not just that they want to see Lake Tahoe. It is the idea of the United States. They want to see it with their own eyes.

At least in the area of the imagination, the United States clearly has the lead. It is still supplying the Japanese with whatever that quotient is that they need to keep their imaginations alive. The United States plays that role for Japan, and Japan is beginning to play that role for the rest of the world.—Nathaniel B. Thayer

back seat in terms of the international economy. The Japanese are very proud. In the pictures of the Williamsburg Summit they were quick to note that their Prime Minister was right beside President Ronald Reagan in the line-up. In previous pictures, the Japanese prime minister was always at one of the ends. At Williamsburg, the Japanese people perceived a major change in the way other nations were treating Japan.

The Japanese perceive economic development as a linear process, where countries go through specific stages of growth: economies start at a less-developed stage and then take off and reach the age of high mass consumption. The Japanese love that theory because it seems to explain so well what is going on in Japan.

In terms of most technology, engineering, education—all of those things—the Japanese have caught up, but they have one advantage. In many sectors, wages still have not caught up with those in the United States and Europe. Also they still do not have what the Japanese refer to as "the English disease": strong labor unions, workers not willing to work or wanting Saturday off.

Japan has paid for imports of raw materials through domestic production, a process called import-substitution industrialization. The production process is moved to the lowest possible level of fabrication. For example, Japanese industry produces not only the parts for automobiles but also the steel and the electronic components. That leaves only iron ore and coal which have to be imported. That process has been going on in Japan for a long time. Even in the late 1880s that process was clear.

In an economy like Japan, growing at a rate of 10 percent a year, clearly one of the goals of a firm is to maintain market share. If a firm does not maintain market share in a growing economy, it will find itself pushed out of the market.

Japanese firms are very aggressive in maintaining their market share, both in Japan and abroad. They are willing to do many things to establish themselves in a market—take very low profits for a long time; invest a lot in R&D and product development, etc. They are willing to compete not only on the basis of the final product, but on the way that product is made. That is a way in which Americans traditionally have not competed.

Liberalization of the Economy

The second major structural change is that the Japanese economy has been liberalized very rapidly over the last two decades. In the 1950s or early 1960s, Japan was essentially a closed economy. However, as Japan began to develop and to run balance-of-trade surpluses, and as it joined the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) in the early 1960s, pressures were put on it to liberalize.

Today a few products are still protected, but in most instances the official barriers have dropped. However, non-tariff barriers—standards, product approvals—remain, and many American firms still have difficulty penetrating the Japanese market.

The Communications Gap

The third structural change is a tremendous explosion in economic activity between Japan and the United States and between Japan and many other countries. However, this expansion of trade has not been matched by a comparable expansion in real communication. There is a communications gap, a lack of full understanding.

The Japanese, because they view trade as their lifeblood, have trained people to speak English, have sent people to American schools, have produced experts on the United States and the other countries of the world. The United States has not made such an effort. U.S. relations with Japan tend to be based on stereotypes. There are a lot of old ones, but the newer ones seem to feature the idea that Japanese economic competition is somehow unfair, that subsidies and protectionism are giving the Japanese their current advantage.

Current Problems in the U.S.-Japan Relationship

The relationship has been affected by the short-term cyclical factor that the whole world between 1980 and 1982 was in recession. An official at the Ministry of International Trade and Industry (MITI) once told me that the economic activity in the world is like a tide. When the world goes into recession, it is like the tide going out and revealing rocks and moss and junk on the sea floor. He said that when economies go down, all sorts of problems crop up.

One of these problems is the U.S.-Japan trade balance. In 1983 Japan ran a very large surplus, whereas the United States ran a bilateral trade deficit with Japan of approximately $20 billion. Over half of that was in automobiles. Other trade issues are the extension of voluntary restraints on automobile exports, government procurement, continual negotiations on beef and citrus, the protection given to Harley-Davidson, and the Code of Standards.

American firms in Japan are asking to be treated the same as Japanese firms. For example, American banks want to be able to issue certificates of deposit based on their total assets, not just on the assets of their Japanese branch. Another large issue is the exchange rate. Also, the United States has a tight monetary policy, compared to Japan. That makes for an interest rate gap and tremendous flows of capital from Japan into the United States. What is perceived as an overvalued dollar and an undervalued yen is causing tremendous competition problems for U.S. exports.

Japan and the Developing Countries

Japan, sensitive about its relations with less-developed countries, has been increasing its aid budget, but there still is room for expansion. Japan generally runs balance of trade surpluses with most less-developed countries, except those that are supplying raw materials such as oil—Indonesia, OPEC, and so forth. These trade surpluses cause a lot of hostility, especially in Southeast Asia. One thing that Japan is worried about is that if it actually does liberalize its market, it is going to get more exports from less-developed countries rather than from the United States.

The Future

I share some of the pessimistic views about American exports and manufacturers being able to gain full access to Japanese markets. However, there is one aspect of the Japanese economy that is often overlooked: the fact that the Japanese consumer is extremely status conscious and places a very high psychological value on imported goods (despite all the bad press that American cars have been getting). The goods that are priced the highest in Japanese stores other than kimonos and things like that, are usually goods that are licensed from some foreign manufacturer—designer clothing, for example. This is potentially a very large market in Japan, one that could be exploited by U.S. exporters, especially in the consumer goods sector.

In terms of Japanese industrial policy, it is true that most of the industries that have developed in Japan have developed to serve the domestic market first. It has only been later, when they have gained that competitive advantage, that they have gone into external markets. With semiconductor production, the Japanese did, at one point, decide to push this industry. They saw it as a we-versus-they problem. They consciously tried to foster the semiconductor industry by trade barriers. But some of the problem of access to this market came from the interlinking of firms in Japan and from long connections between buyers and suppliers. In Japan there is the phenomenon of *amakudari,* retirement from large firms to small firms and from the government to firms, and so forth. Such connections make it very difficult for a foreign firm to break into the market. The way to get in markets like that for semiconductors is actually to go to Japan, invest in manufacturing, and pull American exports in through the American subsidiaries. Once an American firm is in the market, then it can direct its other products into other sectors of the Japanese economy.

12.

The Yen and the Dollar
Issues in Exchange Rate Alignment

McClellan A. Dubois

Official statistics put the Japanese current account surplus for 1983 at $21 billion and $35 billion for 1984. Moreover, it could go higher depending upon the exchange rate.

High U.S. interest rates reflecting U.S. economic policy have clearly played a major role, attracting capital into the United States. As a result, the dollar has been bid up and the yen and other currencies down.

Causes of the Misalignment

Other factors have played a large role, and, therefore, have to be addressed over the next couple of years if the yen-dollar exchange rate problem is to be rectified.

First, there has been a revolution in Japan's financial system. Since 1980, Japan has taken most of the controls off its balance of payments. A huge surplus of savings in Japan is being exported. In the 1960s and for most of the 1970s, savings were being absorbed in Japan by private investment, some government deficit, and other forms of economic absorption.

The second factor is that, while Japan may be committed to liberalizing its foreign exchange system and its financial system, so far there is foot-dragging in Tokyo and a lot of problems that have prevented the yen from playing the role in the international environment that it should be playing. Japan now accounts for about 8 percent of world trade. Only 2 percent of world trade is denominated in yen. Japan, in the special drawing rights, accounts for 13 percent of the assets in the International Monetary Fund (IMF), yet only 4 percent of all international exchange reserves held by governments are in yen-denominated assets.

Portfolio managers trying to insulate their portfolios from changes in foreign exchange rates should be holding a substantial share of their assets in yen, substantially more than they are holding now. The reason they are not is that they cannot get rid of yen if they have to.

Finally—and this point cannot be overstated—recently the U.S. dollar has played a role independent of the interest rates. International portfolio managers want to have a certain measure of liquidity. They want to have assets they can sell to buy something else without losing value. Currently the only thing worth holding in the international market is dollars. Until that situation changes and more yen is available in the international market, the yen is going to remain weak.

Advantages to Japan of a Weak Yen

The weak yen makes it possible for Japanese exporters to make tremendous profits. In recent years, most Japanese exporters have priced their goods to sell in the international market at roughly 200 yen to the dollar. At 235-245 yen to the dollar (the average range in 1985) Japanese exporters benefit from a substantial profit mark-up in yen that can bolster their balance sheets or fund research and development, or that they can bank in case they have to cut their prices.

Reflecting this, the yen would have to appreciate substantially even for Japanese companies to claim they are breaking even. At that break-even point, however, they are still making money because the corporations probably factor into their "break-even price" a margin of profit. In other words, before an appreciation of the yen cuts into the volume of Japanese exports, particularly to the United States, the yen is going to have to go below 200 to the dollar.

The United Auto Workers, for reasons that are obvious to everybody, argues that the rate ought to be about 175 to the dollar. Nonetheless, there is a fair amount of econometric evidence to justify that argument. If one tracks Japanese and U.S. inflation rates and assumes that the foreign exchange rate should move in appropriate patterns, the yen ought to be trading about 175 to the dollar today. The fact that it is not, gives Japan a substantial price advantage over American corporations.

On the import side, econometric evidence suggests that when the yen appreciates, Japanese imports pick up, particularly Japanese imports of manufactured goods. A couple of years ago, studies by economists at Data Resources suggested that there is a very high level of elasticity in Japan for manufactured imports relative to the exchange rate. If the exchange rate were 180 to the dollar, Japanese manufactured imports would be substantially higher than they are today. At the current level, there will not be many manufactured imports.

Also at the current rate, Japanese corporations are not as optimistic about investing money abroad. They do not want to have the foreign exchange risk. At 180 to the dollar, there would be a substantially larger volume of Japanese investment in the United States. The level would be far higher than it is now, which is already high by historic standards but nowhere near the potential that Japan has to invest in the United States or elsewhere in the world.

13.

High Technology and the Future of the Japanese Economy

Justin L. Bloom

Issues involving technology certainly lie at the heart of most U.S.-Japan trade problems. U.S. trade officials may talk at length about citrus and beef sales to Japan, but most of the concern is about the import or export of goods that have a high technological content. Americans are concerned about what the future portends in this respect, but it is difficult to predict. One really has to understand Japanese culture, sociology, economics, history, and science and technology to be able to think rationally about where Japan is and where it might be going in high technology.

MITI's Technological Influence Overstated

Successful Japanese products incorporating advanced technology, such as automobiles and consumer electronic goods, were developed by Japanese industry without management by the central government, without MITI (Ministry of International Trade and Industry) sponsorship of research and development, and without a plan imposed or masterminded by MITI.

In this sense, the role of MITI is overstated. MITI is given too much credit or too much blame, depending on your point of view, for Japanese successes in technological areas. This can be demonstrated by some examples of Japanese technological mistakes. It is not commonly recognized that the Japanese fail on occasion. Americans tend to feel that the Japanese are successful at everything. They are not. Since the Japanese are human, they make mistakes just like everybody else.

For example, a decade or two ago, the Japanese decided to embark on civil aircraft development, for which there then was an expanding market. At the time, the world civil aircraft market was completely dominated by the United States, but the Japanese thought they might find a role in this market by producing a certain class of commercial aircraft. Under MITI guidance, a national project to develop and produce civil aircraft was undertaken. It turned out to be a technical success but not an economic one. The aircraft which was developed, the YS-11, was much like the U.S. Martinliner aircraft: propeller driven with less than 100-passenger capacity. It was a perfectly good aircraft; however, just when it entered the market, a new short-haul jet aircraft, the DC-9 had just appeared, wiping out any prospect for selling large numbers of the YS-11 abroad. Even the domestic Japanese airline companies, although they were more or less required to buy a minimum number of these planes, never extended their orders. Only a very few were ever sold abroad. American exports of civilian aircraft to Japan remain extraordinarily heavy. The United States completely dominates the Japanese market for civilian aircraft.

Chemical manufacturing is another case of relative Japanese failure. Japan tried to build up its capacity to manufacture chemicals from petroleum, but the cost of the raw materials and energy has made Japan uncompetitive in such an energy-intensive manufacturing process.

Jet Aircraft: Too Late a Start

Currently there is great concern in some quarters in the United States that the Japanese are about to embark on a major program to manufacture civilian jet transport aircraft. Japan has had a limited but perhaps significant success in the manufacture of small executive jet aircraft for export—the MU series developed by Mitsubishi. The MU-200 is the latest version.

In addition, the Japanese have invested heavily in a joint venture with Boeing, along with at least one other foreign partner, to manufacture the new generation of Boeing medium-sized civilian transport aircraft. Many people in the U.S. government worry that this joint venture might enable the Japanese to acquire technology that will make them a competitor of the United States in the sale of similar aircraft.

Such a development is unlikely. They would have to sell the aircraft abroad in competition with the much larger American manufacturers and in competition with France, the other Western supplier of transport aircraft. Furthermore, selling air-planes is a complicated business, one involving an international service capability, spare parts, supplies, and a host of other ancillary products and services required to maintain aircraft. Entering the market so late, Japan would have difficulty setting up such a system. Furthermore, the Japanese economy is not involved, as is that of the United States and France, in the very large-scale manufacture of military aircraft from which a civilian aircraft program can evolve.

Biotechnology: Quick Turn-Around Time

The Japanese have a long background in biotechnology. This derives from their history of making beer, sake, tofu, miso, and a number of other foods by the fermentation process. That technology has been institutionalized in Japan and made into a real science. From this base the Japanese are now emerging as one of the world's foremost manufacturers of pharmaceuticals, and they have great designs to be in the forefront of the new biotechnology that uses recombinant DNA techniques. They are not yet up to the U.S. standard in this field because their emphasis has been on applied rather than basic science. Most work in recombinant DNA, and related fundamental biotechnology fields is being conducted at the academic or fundamental level at this time. But the Japanese will emerge more quickly now; the turn-around time for new technology is going to be shorter in Japan than it has been in years past.

Robotics: A Less Rigid Management-Labor Structure

While the United States can take the credit for inventing robotics, the Japanese saw the applications of robotics earlier than we did. They were also willing to restructure the work force to permit the use of robotics before we were able to.

I visited Nissan Motor Company's manufacturing plant near Yokohama in 1975 and saw American robot welding machines in operation. Nissan had bought them from the United States. The plant, even in those days, was remarkable because of the relative absence of human workers. I commented on this and asked them how they were able to buy these machines. They said that American manufacturing companies had been perfectly willing to sell these machines because they found that they could not sell them to the American automobile industry, due to the labor implications.

Robotics is a very dynamic field. Robots are now being developed which can sense what they are doing and get the feedback they need to improve their operations. The United States still maintains the lead in research into robotics, but, as usual, application will be what will determine success.

The Japanese are applying robots much more rapidly than we are. They can do this because labor-management relationships permit management to take people off traditional manufacturing jobs and do something else with them. In the United States, a more rigid structure of labor unions and labor practices makes it very hard for us to do the same.

High Tech from Japan

We should not lose sight of the fact that there are fields in which the United States can gain much needed technology from Japan. I will mention one example. All of you who have been to Japan know what a superb ground transportation system the Japanese have; this is also characteristic of Western Europe to a degree, and it is an area where we could learn a lot from the Japanese. Moreover, it is something that is non-competitive with our current interests. That is, we do not have the technology at anything like the level that the Japanese have, it, so we could import technology from Japan.

It is not commonly known, but the Japanese offered, and we ultimately accepted, to provide its advanced train technology free of charge to the United States government: the bullet train and related technology. Although high-speed trains like those the Japanese use are not going to be running soon in the United States, much of the operating technology, such as that concerned with switching, signals, and roadbeds, is already being applied. The value of this technology, according to the Department of Transportation, runs to many millions of dollars. The technology was offered gratuitiously to the United States as Japan's thanks for the assistance we gave in rehabilitating the Japanese railway system immediately after World War II.

This reflects the sense of obligation that the Japanese feel in such a situation. It is something that one should keep in mind as part of the cultural and sociological aspects of Japanese technology. If you do something that helps the Japanese, they do not forget it. If you do something that hurts them, they do not forget that either. That case has been made.

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PART FIVE

Political and Military Relations

14.

The Japanese Defense Framework

John Endicott

In Japan the Ministry of Finance is an extremely important factor in the defense policy arena. One of the first defense policies that was articulated in Japan was the Ministry of Finance's "Balanced Defense Policy," announced early in the 1950s. According to this policy, Japan should spend a bare minimum on defense armaments in order to use its scarce capital resources for the development and reindustrialization of Japan. This was basically the prevailing policy when the Japan Defense Agency (JDA) was created in the early 1950s.

By 1957, this basic policy had evolved into a wider defense policy characterized by its support of the United Nations peacekeeping, a stable domestic environment, a moderate defense power base, and finally, dependence on the U.S. security treaty.

The Regime of 1976

Between 1958 and 1976 there were four five-year plans to increase the hardware and the capabilities of the Japanese defense establishment to meet a minimum level of capability. As the final build-up plan was being completed, the opposition parties raised objections and asked when the build-up would stop.

At that point, the regime of 1976 was established. Prime Minister Takeo Maki and Defense Agency Chief Michita Sakata set the framework that the United States has to deal with today. The 1976 regime set a standard outline for force development: a level for tanks, ships, aircraft, manpower, etc. This is the level that the Japanese military has been building toward. In a few years, when the build-up has been completed, a limitation of 1 percent of the GNP will be put on expenditures for defense.

Managing Defense-Related Issues

In U.S.-Japan relations, defense-related issues have proven somewhat more manageable over time than economic issues. The area of mutual understanding of the basic policy premises on each side in matters of security has broadened steadily and is greater than in the economic area.

For some time there has been agreement on the nature and scope of Japan's contributions to our mutual defense efforts and on what is required on Japan's part to meet the responsibilities which it has assumed as a matter of government policy. Problems have arisen mostly about the pace at which Japan moves to acquire the capabilities necessary to fulfill its responsibilities.

The extent and character of Japan's involvement in and contribution to our mutual defense effort today would have been virtually unimaginable ten years ago. Even so, security issues have periodically placed serious strain on the relationship. From the U.S. side, there have been accusations of a free ride. Questions have been raised about the political will or the ability of Japan's leaders to move in the direction of professed policy, and there have been doubts about the reliability of Japan as an ally.—Thomas P. Shoesmith

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In 1976, Japan ratified the Nuclear Proliferation Treaty. In the process of ratifying this treaty, three non-nuclear principles were rearticulated. Besides the non-nuclear weapons principles, the three non-export principles were also rearticulated by the Miki Administration. Japanese industry was not allowed to export weapons; nor was it allowed to export industrial weapons-plant capability.

Nineteen seventy-six also was the year that negotiations began that led to the 1978 guidelines that opened up a greater degree of U.S.-Japanese military cooperation. This regime of 1976—some might call it a legalistic regime—is currently under attack in certain sectors of the Japanese domestic political arena and, of course, in the U.S. Congress.

In addition to the regime of 1976, there is Article 9 of the Constitution which pledges that "land, sea, and air forces, as well as other war potential, will never be maintained." Currently a working group of the Liberal Democratic Party on constitutional revision came out for proposed changes in Article 9.

Today, the atmosphere has changed considerably from the regime of 1976. First of all, JDA professionals are being given more important leadership positions in Japan. We also hear Japanese leaders talking about self-defense forces patroling nearby waters, "sharing a common destiny" with the United States, taking responsibility for sealane defense extending 1,000 miles from Tokyo and Osaka. What has happened? In 1983 Natsume Hataro became the first vice minister of the JDA who was a home-grown JDA professional. He had started out in JDA years before, had risen through the ranks, and had reached the highest level that a bureaucrat can reach in Japan. In 1983, the first MITI exchange officer at the director level from the JDA was appointed. Young JDA professionals are now being sent to

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Comprehensive Security

"Comprehensive security" is the notion that security is achieved through the totality of diplomatic, political, economic, and military efforts.

Historically the concept can be traced back to 1975 when Defense Agency Director Michita Sakata appointed a comprehensive security investigative commission headed by Inoki Masamichi. The main point was to convince the United States that Japan ought not to spend any more money on defense if there were other important things it could do to assure its security. The commission came up with the conclusion that foreign aid, diplomatic strategems, and political initiatives were of an equal if not greater importance than military preparedness to the overall stability of East Asia. It is true that what Japan has done economically, and the extent to which it can share that economic strength with other countries of the world, is an important contribution to security as broadly defined. It certainly has been the case in East Asia. And as Japan's economic aid programs extend to other areas of strategic interest, it is helping there as well. The question that always bothers me is why doesn't the United States let Japan do what it does best? If it does economic things better than it does military things, isn't that a sensible trade-off?—Martin E. Weinstein the Ministry of Finance for training. Men who did not serve in World War II, and who did not even receive their training in the academy prior to World War II, are now becoming generals and assuming responsible positions. In fact, retired JDA generals are now taking the podium to speak out on defense issues in a way that one would never have expected a few years ago.

Second, there is a proliferation of groups discussing defense issues: the Cabinet, the National Defense Council, the Ministry of Foreign Affairs. Since the Soviet invasion of Afghanistan in 1979, the Ministry of Foreign Affairs has become a much more outspoken and dynamic ally of the JDA. Prior to that, the Ministry of Foreign Affairs had tried to hold down the defense issue. MITI is becoming even more concerned with the security issue and has published papers that deal with it. The Economic Planning Agency, the Ministry of Transport, the Liberal Democratic Party and its various committees, the Comprehensive Security Council, the special Diet committees on defense, the Administrative Reform Commission—all are speaking out on defense issues. Last but not least, the U.S.-Japan Advisory Council is required to make defense recommendations.

This expansion of those who are interested in defense topics will have some impact on the ability of the United States to find out who is actually making the decisions.

Finally, parallel to this increased interest in a stronger defense capability on the part of the government is a general falling off of support for the opposition parties. In fact, the new head of the Japanese Socialist Party is a firm advocate of unarmed neutrality, an idea that has suffered greatly since the Soviet invasion of Afghanistan and the shooting down of the KAL passenger jet.

Roles and Missions

Recently the 1 percent of GNP barrier for defense spending has become a point of contention. The question is will it be pierced, will Japan go on to a higher budget expenditure? Many in the government take the position that 1 percent is a meaningless number and that Japan should go ahead with the defense budget and defense preparedness not hindered by the 1 percent barrier.

The current U.S. administration is talking to the Japanese in terms of roles and missions. The United States wants Japan to develop anti-submarine warfare capability, effective anti-air capability, and a basic overall capability to deter conventional adventurism on the part of the Soviet Union or any other country in that region. The Japanese do not possess that capability now, and it is going to be a long time before they do. Their capabilities are so limited that a fundamental logistical base does not exist. The Japanese would be hard-pressed to meet even their minimum goals of a two-week defense.

Nakasone's Basic Idea on Defense

One of Prime Minister Yasuhiro Nakasone's basic ideas is that every nation needs national pride. National pride must be inculcated and bolstered at all times, and there is no way that a nation can develop pride if it relies on some other nation to defend it. Hence, Nakasone has argued, Japan needs a stronger defense force.

Nakasone has also discovered that a very active foreign policy will also inculcate pride. He is looking for new ways to go in foreign policy that will cultivate the same degree of national pride which a strong military force often brings to a nation.

It is difficult to predict what Nakasone will do in the future. However, he will try to build up Japan's defense forces. The Americans want that, and they will get what they want. Will he push for a major build-up? Will he try to abrogate the 1 percent figure? Perhaps, but not by much.

15.

Defense Concerns

Joseph Flanz

Many Americans accuse Japan of getting a "free ride" by letting the United States pay for its defense. However, Japan is already the eighth largest defense spender in the world, and any country that now ranks eighth in the world in defense expenditures cannot be accused of getting a free ride. Perhaps they are not bearing their fair share, but there is no question of a free ride.

Areas of Concern

However, having said that, from a military point of view, there are many things to be concerned about. The primary one is sustainability. The emphasis is all on front-line equipment, but maintenance, manpower, bullets and so on are needed to operate the equipment. By themselves, weapons and equipment are inadequate. The United States is interested in the overall defense build-up—not only front-line weapons, but also maintenance and sustainability.

The mission of the Japan Self-Defense Forces, as defined in the defense program outline, is to defend the home islands against a limited small-scale invasion, which is undefined, and also to protect the maritime and air spaces around Japan. In 1981, Prime Minister Zenko Suzuki expanded that to include a 1,000-mile sealane defense, and Prime Minister Nakasone has endorsed that.

Another important concern are the public opinion contraints. It is now commonly said that a consensus is building up in Japan in favor of increased defense expenditures. I do not see it. Public opinion polls ask, "Would you like to maintain self-defense forces or not?" And the public's answer is, "Yes we would," eighty-five percent. "Do you think a regional security

Three U.S. Assumptions About a Strong Military Force

We in the United States make three assumptions about a strong military force that the Japanese do not make.

The first is we assume that a strong military force benefits foreign policy. However, that may not be so for Japan, at least as regards East Asia. All of the Asian countries have told the Japanese that a Japanese military build-up is not necessarily in their best interests.

The second assumption is that a strong military force enhances domestic security and tranquility. That may be true in the United States but it certainly is not true in Japan. The Japanese fear a resurgence of militarism.

Masayoshi Ohira, the former prime minister, has written that Japan has two modes. One is when Japan looks outward and is cooperative; it wants to work with the rest of the world and is secure in and of itself. The other is when Japan looks inward. When Japan is in its inward mode—paranoid and frightened—it starts talking about a strong military force. Ohira has said that if there is one thing a prime minister must do, that is to keep Japan looking outward.

The third assumption is that Japan should take as serious a view of the Soviet threat as the United States does. The Japanese do not take this threat so seriously, although the invasion of Afghanistan and the KAL incident have been sobering.

On this score, the Japanese ask three questions. The first is why would the Soviet Union ever attack on its weakest and most distant front? Of all the places in the world, it would be most difficult for the Soviets to do anything in Japan, so why would they start there? The second question is what do the Soviets want from Japan? Could it be their technology? Is a war the way to acquire it? The third question is does the Soviet Union really have the capability to mount a sustained conventional attack on Japan?—Nathaniel B. Thayer

treaty is the proper way to defend Japan?" Sixty percent say yes. "Should Japan defend the sealanes out to 1,000 miles?" "Yes." However, when other key questions are asked the answer is no. For example: "Do you want to increase defense spending?" "No." "Would you like to increase the size of the defense force?" "No."

Balanced Approaches

Asian reaction to Japanese rearmament is also a legitimate constraint. Other Asian nations would like to see Japan able to defend itself, but not capable of extending its power beyond its borders. There is considerable concern among certain Southeast Asian countries, but it can be managed if Japanese armament is under the aegis of U.S. efforts in the Pacific and not a substitute for U.S. efforts. Thus, a proper balance between U.S. and Japanese forces is part of what they consider necessary.

Japan is undergoing a modernization process. The Japanese self-defense force of 1988 is going to be much more capable than it is now, or than it was in 1976 when the defense outline was established. However, the Soviet build-up in the Far East since 1978 has totally eclipsed the efforts of the Japanese to increase their capabilities vis-a-vis the Soviets. This is another example that the proper balance is the key factor, not the size of Japan's forces per se.

16.

The Direction of Japanese Foreign Policy

Martin E. Weinstein

It is probably not very realistic to expect much of a change in Japanese defense policy or foreign policy despite all the talk. The United States has been pressing for a lot of unreasonable things, and the Japanese have sounded as though they might acquiesce in them. With the passage of time, the pressure on the Japanese might be reduced a bit and then we might get back on a more even keel.

During the occupation, a policy was set under which Japan would favor economic development over rearming. Ever since, that has remained Japan's basic foreign policy. Prime Minister Shigeru Yoshida saw, along with his colleagues, that Japan was in a most unenviable possible position. The Japanese had been stripped of their whole empire and of all their own forces; they had lost their merchant marines; their industry was in shambles, bombed out. They somehow had to find a way to regain international respectability, to lead a decent life, and to maintain the viability of Japan as a nation state in a very dangerous part of the world.

They came to a very conscious, deliberate decision that they ought to find a way to build a cooperative relationship with the United States, an alliance that would be Japan's ticket back into a viable trading block and way for Japan to gain an effective defense against the Soviet Union. They decided that they could make a viable policy for Japan by becoming a useful, necessary ally to the United States rather than simply a dependency or a country that was occupied.

This would have to be done in a very careful way to avoid the likelihood of hostilities in the area. If there were hostilities, Japan would be a prime victim.

This has been Japan's underlying foreign policy, and it has guided the Japanese government since the late 1940s or early

Toward a More Equal Relationship

The United States should try to make the U.S.-Japan relationship a more nearly equal one than it has been in both style and substance over most of the last 35 years. In this, style is as important, if not more important, than substance, for Japan is a place where form is always important. Some of the most difficult problems that the United States has had with Japan have resulted in part from our failure to deal with Japan in a manner that befits a nation that has been as successful and as strong as we have been. Maintaining a good relationship serves the interests of both countries.

My concern about the future of the U.S.-Japan relationship is not that it will deteriorate to a point beyond repair. I do not think that will happen. My concern is that the two countries, because of their inability to adjust to new circumstances bilaterally and to appreciate each other's role in the world, may not realize the great potential still remaining in that relationship. Some Americans find it hard to accept the fact that a country that we vanquished in a war has now recovered economically and deserves a major role in the world. At least they can't believe the recovery was achieved honestly. The challenge of the future of the U.S.-Japan relationship is for the two countries to realize the great potential. We have to work together to make this a better world. If we cannot work together, history will blame us for mucking it up.—Thomas P. Shoesmith

1950s. It has been altered and revised only modestly to meet the requirements of changing administrations in Washington and the Soviet build-up in the Far East. To the present day it continues to work. It is hard to see a very reasonable alternative to it.

It is difficult for the Japanese to deal with the world the way Americans think people ought to. The Japanese tend to think in terms of hierarchy. Sometimes being somewhat lower in the pecking order can have its advantages and comforts. For the Japanese it seems difficult to conceive of moving into a situation of complete equality with the superpowers. Conservative Japanese politicians feel that there is a danger there. It might be difficult for Japan to start being more assertive and to

take more initiative in just the right way. Increased activity on the part of Japan might create reverberations in other places in Asia. The Chinese, the Southeast Asians and, most of all, the Soviets might get nervous. The Americans may not like it either, even though America encourages Japan to take a more international role. Thus far the Japanese would rather take a beating for not taking enough initiative than to run the risk that they would incur if they pushed out and became assertive in the wrong way.

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PART SIX

Conclusion

17.

The Future of U.S.-Japan Relations

U. Alexis Johnson

Cultural Factors

In considering the future of our relations, I would put at the head of any list of our differences the cultural factors. No people in the world are more conscious of themselves as a group, as a race apart, than are the Japanese. Their society is entirely different from American society. Ours is heterogeneous while theirs is homogeneous. In trying to penetrate the Japanese market and the economy of Japan, American businessmen are hindered not just by the Japanese bureaucracy but also by Japanese attitudes and a system that shuts out foreigners. Chinese and Koreans who have lived in Japan for generations are still not Japanese, even though they were born there and their fathers and mothers were born there. They do not become a part of Japanese society.

Japanese are hospitable to a fault, but they are usually very difficult to get to know in any depth. It is even difficult for one Japanese to penetrate another Japanese group he does not belong to. If a young Japanese college graduate joins Mitsubishi when he gets out of college, he is a Mitsubishi man for the rest of his life. If he tries to go over to Mitsui, he will be treated there as an outlander and a foreigner for 15 to 20 years.

Cultural difficulties are not all on one side. The Japanese have a hard time understanding the U.S. system, and racial factors creep into the attitudes of both Americans and Japanese. The Japanese remember the 1924 Exclusion Act which banned all immigration from East Asia, and they remember our land tenure act. They also recall the way the United States treated the Japanese during World War II.

I have noticed that members of Congress and other political candidates, when they are discussing U.S. economic prob-

The U.S.-Japan Relationship Globally

U.S.-Japan trade totals about 40 percent of world product, depending on what base figures are used. It is hard to think of many global problems that would not yield to concentrated U.S.-Japan efforts, and it is hard to think of any global economic problem that could be solved without U.S. and Japanese agreement.

The United States, the Soviet Union, China, and Japan must continue to interact in more and more ways to assure the stability and peace of the region—and the world. East Asia is the only place where the Soviet Union, the United States, Japan, and China all interact. If they can continue to control their problems and limit their reactions to what they perceive as each other's unacceptable behavior in this region, there will be peace.—Herbert Levin

lems with Japan, tend to use adjectives and colorful prose that they would not use about the European countries. This basic cultural factor is always going to be with us; it should be recognized and dealt with openly and frankly.

Hardline Economics

I went to Japan in 1935 as a language officer, during the great depression. At that time each country was seeking autarky. Worldwide economic collapse had set the stage for the rise of Nazi Germany, for the Hawley-Smoot Tariff Act of 1930 that set up a tariff wall as high as any that has ever been erected in any country, and for the Japanese thrust into Manchuria and then into China. Each country was looking at its trade in terms of its bilateral balances with other countries, and there was a great movement to balance trade bilaterally. Countries erected tariff walls and set up trade barriers and currency controls.

The Japanese moved into China to assure themselves of markets and sources of raw materials when all the rest of the world was being closed down around them. They had oil in mind, particularly. Their principal source then was Indonesia, which was controlled by the Dutch. The move into China—for which there was some economic rationale—was exploited by the chauvinists in the Japanese army who went about it in the old-fashioned military way. This eventually led to the tragedy of World War II.

In 1941 I was vice consul in China, in Mukden, in what the Japanese called Manchukuo, one of two in the U.S. consular office there. When we heard the news on July 21 that the United States had frozen Japanese assets, our immediate reaction (shared by the two British consular officers) was that that meant war because the freezing of Japanese assets would cut them off from the oil in Indonesia, which was controlled by the Shell Company. They would either have to capitulate or fight. We felt so certain about it that we took it as a matter of course.

The U.S.-Japan Relationship in the East Asian Region

There are few regional or world problems for the United States in which Japan is not a major or the *major factor. Accordingly, the principal focus of the U.S.-Japan relationship in the future is not going to be bilateral, rather it will be regional and global.*

In the East Asian region, compared to many other parts of the world, the economic system is generally working well. And in those countries where it has not been working particularly well, it nevertheless is not in a deteriorating situation. As the Japanese and the Americans see the East Asian region, the economic side is a plus.

A second regional factor of some importance is that political institutionalization has moved forward. The region as a whole, despite being very disparate, now depends less than before on personalized rule. This is something that the Japanese and Americans have had a common interest in trying to foster.

In East Asia, problems of internal and external security have been contained for the last 30 years, a good record compared with other parts of the world. A component of the internal security aspect is political openness at home. Here the record is mixed. Nevertheless, even in countries where there is little or no political openness, it is accepted that openness is desirable. The leadership has to pretend that it is open. That is quite different from some other parts of the world where one-party rule is the norm and there is no pretense about an independent press or a free electorate.—Herbert Levin

The British vice consul and I set up a 24-hour watch. I listened from morning until midnight to a little commercial station in San Francisco, KGEI; then my British colleague would get up at midnight and listen to the BBC until morning. We wanted to know when the war started because we knew we would never hear anything officially.

The British vice consul came pounding up my stairs at three o'clock in the morning and said, "The Japanese have attacked Pearl Harbor." I knew he was crazy because I had been through Pearl Harbor the previous year and knew it was absolutely impregnable. Nevertheless, it was quite clear that war had started.

Mismanagement of the world economy and world economic affairs had led to those extremes. Today, when I see the first budding signs of protectionism, I am afraid that it could again get out of hand. So far, the U.S. administration has sought to handle it well; but it is going to become more and more difficult to do as Japan becomes more and more competitive and as people in this country feel that they have lost their jobs because of Japanese competition. It is a political problem that has to be dealt with.

Competition with China

China is going to become an issue between the United States and Japan. At the present time there is no real competition; but there will be as China emerges into the modern world. Eventually both the United States and Japan are going to face a real economic problem in the efforts of China to obtain markets abroad for its produce.

Export of Technology

In the Nixon and Reagan Administrations sentiment has been in favor of preventing technology transfer. The British tried this with their looms in the end of the 19th century. Anybody that sought to export the technology of looms from England got the death penalty. That can be done for a little while, but it does not last very long. It creates a lot of problems.

Technology transfer continues to be an issue in the future of our relations with Japan and will become an issue before long with respect to China.

The Security Problem

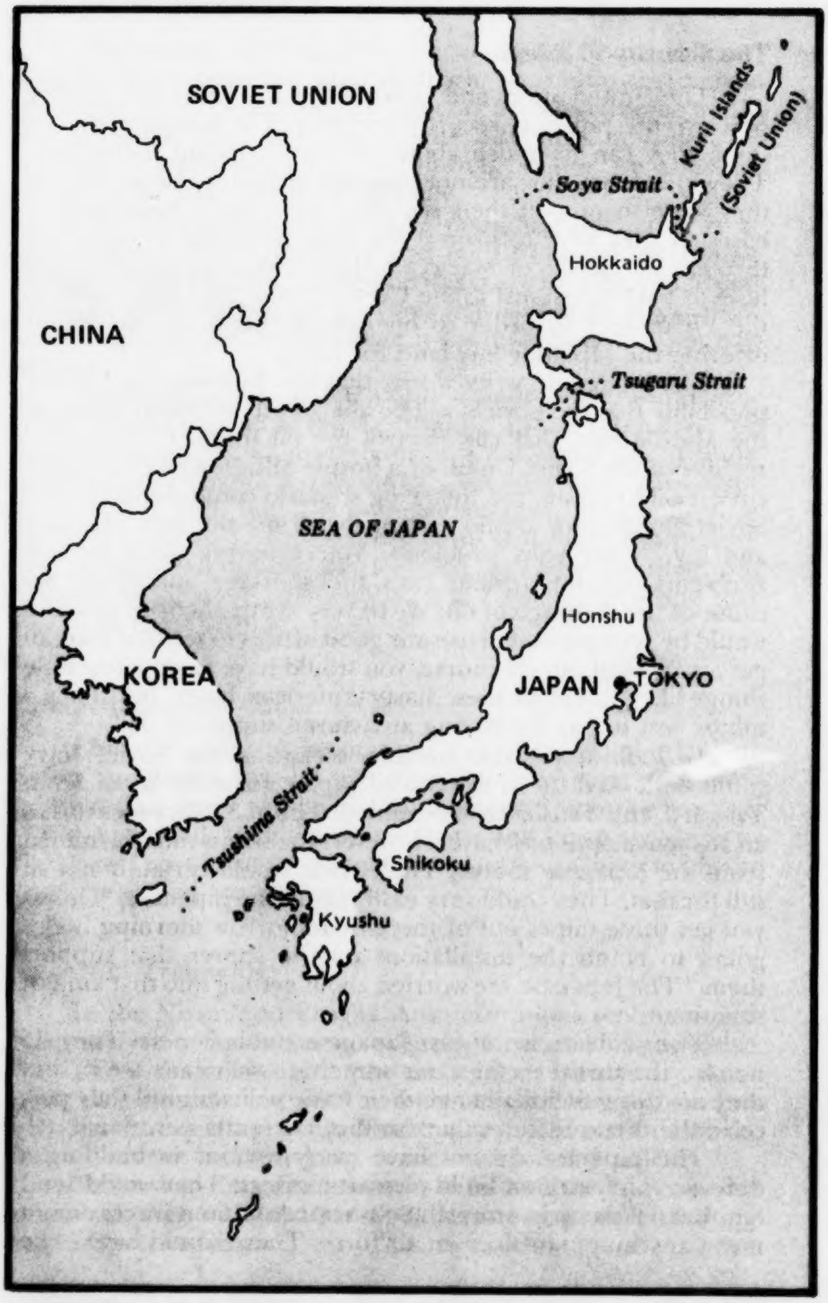
The United States and Japan differ markedly in how they perceive the Japanese security problem. The Japanese do not think they can do much about the Soviet Union themselves. They know that they are not welcome anyplace else in Asia. If they were to protect their sealanes, they would have to have bases. If they were to protect the route from the Middle East through the Straits of Malacca to Japan, they would obviously have to have bases, just as the United States must have bases in the Philippines in order to operate in that area. No one is offering the Japanese any land for bases.

The biggest security threat that the Japanese face is the possibility that the Soviets will be able to establish surrogates in the Middle East that can control the oil there. If these surrogates of the Soviet Union or a hostile Middle Eastern regime cut off oil to Japan, the following scenario could develop: The Soviet ambassador would call on the prime minister of Japan and say, "I see your problems. You're having some terrible problems—unemployment, riots, fuel shortage, and all this because of the shortage of oil. We're very sympathetic to you and would be very pleased to use our good offices to see that you can get a supply of oil. Of course, you would have to do a few little things like get rid of these nasty American bases, but that's a minor cost to pay for having an assured supply of oil."

To look at possible wartime scenarios, the Soviet Navy could be locked up in the Sea of Japan if the Straits of Soya, Tsugaru, and Tsushima were mined. The U.S. Navy sees this as an attractive option to have. However, the straits must be mined from the Japanese shores. The Soviets would certainly not sit still for that. They could very easily say to the Japanese, "Unless you get those mines out of there by tomorrow morning, we're going to bomb the installations on the shores that support them." The Japanese are worried about getting into that kind of situation.

The problem is not just Japanese stubbornness. They do not see the threat in the same way that Americans see it, and they are not going to change their basic policies until they perceive the threat differently than they currently perceive it.

The Japanese do not have many options in building a defense. They cannot build aircraft carriers. That would send Southeast Asia up in arms. In Southeast Asia, land forces do not mean anything, nor does an air force. There would have to be


SOVIET UNION
CHINA
Kuril Islands
(Soviet Union)
Soya Strait
Hokkaido
Tsugaru Strait
SEA OF JAPAN
Honshu
KOREA
JAPAN
TOKYO
Tsushima Strait
Shikoku
Kyushu

If the three straits shown here were mined, the Soviet Navy could be locked up in the Sea of Japan.

local bases for an air force presence, and it is hard to see where the Japanese could establish bases with which they could extend their range much beyond what it is now.

The Strength of Two Democracies

On the political side, there are many advantages for both the United States and Japan to maintain good relations. We are both big, powerful democracies. We both have representative governments. We both believe in freedom for our population. We both believe in free enterprise.

The things that we and the Japanese have going for us are probably in the end much more important than the things we have going against our good relations. Nevertheless, we cannot take these advantages for granted. We must keep working to solve the problems of our relationship. We must keep working to understand each other better.

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Appendix I: Biographical Information on Participants

Donald S. Abelson is Director of the Office of Trade Barriers in the office of the U.S. Trade Representaive.

Anthony C. Albrecht at the time of the symposium was the Deputy Assistant Secretary of State in the Bureau of East Asian and Pacific Affairs responsible for economic affairs in the region. A Foreign Service officer since 1956, he has served mainly in economic positions.

Diane B. Bendahmane, the co-editor of this volume, is a Washington-based writer and publications specialist with experience in international relations and development assistance. She has worked for the Carnegie Endowment for International Peace, *Foreign Policy* quarterly, A.T. International, the Peace Corps, and the World Health Organization.

Justin L. Bloom is President of Technology International, Inc. He was formerly the Counselor of Embassy for Scientific Affairs at Tokyo. He has had broad experience in government, including the Atomic Energy Commission.

William T. Breer has served in the Foreign Service since 1961, with many years in Japan at Tokyo, Yokohama, and Sapporo. He became Counselor of Embassy for Political Affairs at the U.S. Embassy in Tokyo in 1984.

Hattie K. Colton is Assistant Dean of the School of Area Studies in the Foreign Service Institute. A Ph.D. from the University of Minnesota, and a Ford Foundation fellow in Japan in the 1950s, she speak Japanese, has taught at the International Christian University in Japan and since 1961 at FSI.

McClellan A. DuBois, an economist with the Central Intelligence Agency, has a long-standing interest in the Japanese economy and international finance.

John E. Endicott (Col.) is a Japanese language officer, currently serving as Director of Research at the National Defense University. He is co-author (with William R. Heaton) of *The Politics of East Asia: China, Japan, Korea* (Boulder, CO: Westview Press, 1978).

Joseph Flanz (Maj.) is a specialist on Japanese defense issues.

Haruhiro Fukui teaches political science at the University of California at Santa Barbara. Dr. Fukui is author of *Party in Power: The Japanese Liberal Democrats and Policy-Making* (Berkeley, CA: University of California Press, 1970), and a co-author of *Managing an Alliance: The Politics of U.S. Japan Relations,* (Washington, DC: Brookings Institution 1976).

Herbert Glazer is professor of business management at American University. He has taught in Tokyo and consulted with Japanese and American business groups. Dr. Glazer is the author of *The International Businessman in Japan* (Rutland VT: Charles E. Tuttle, 1968).

Eleanor M. Hadley is professor of economics at George Washington University. Dr. Hadley has been involved with issues in the Japanese economy since before World War II. She went first to Japan in 1938 to study economic issues of the period and later served during the U.S. occupation as a trust buster. Her experience during that period is recorded in her book *Antitrust in Japan* (Princeton: Princeton University Press, 1970).

Robert L. Innes is an economist, long involved in Japanese affairs.

U. Alexis Johnson entered the foreign service in 1935, going to Japan as a language officer. He has served as Ambassador to Czechoslovakia, Thailand, and Japan (1966-1969), Under Secretary of State for political affairs, Ambassador-at-Large, and U.S. negotiator for SALT. Ambassador Johnson is currently with the Atlantic Council of the U.S.A. His memoires have recently been published: *The Right Hand of Power* (Inglewood Cliffs, NJ: Prentice-Hall, 1984).

Herbert Levin has been a Foreign Service officer since 1956. A graduate of the Fletcher School and of FSI's Chinese language and area training, he was Deputy Director of Japanese affairs in the 1970s. He is currently with the Policy Planning Staff.

Marshall R. Louis, Jr., is a Program Development Officer on teleconference programming for the U.S. Information Agency. He worked for two years as press Officer in the U.S. Embassy in Tokyo.

John R. Malott is a Japanese language and area officer in the Foreign Service, currently Deputy Director for Japan Affairs. He served at Kobe-Osaka in 1971-73 and the U.S. Embassy in Tokyo from 1974 to 1977.

Leo J. Moser, the co-editor of this volume, was at the time of the symposium Director of the Center for the Study of Foreign Affairs, Foreign Service Institute. He was earlier Chief of Mission at the U.S. Embassy in Vientiane, Laos. A Soviet area specialist and Chinese language officer, Moser has been with the Foreign Service since 1954, serving largely in East Asia. He is currently Deputy Assistant Secretary of State for Human Rights and Humanitarian Affairs.

Dick K. Nanto is the Head of the Industry Analysis and Finance Section of the Congressional Research Service and formerly an Assistant Professor of Economics at Brigham Young University.

George R. Packard is Dean of the Johns Hopkins School of Advanced International Studies. From 1963-65 he served as special assistant to the U.S. Ambassador to Japan, Edwin O. Reischauer. Dr. Packard was chief diplomatic correspondent for *Newsweek* in Washington from 1965-67 and executive editor of the *Philadelphia Bulletin* from 1967-75. Before joining Johns Hopkins he served as Deputy Director of the Woodrow Wilson International Center for Scholars.

Susan J. Pharr teaches at the University of Wisconsin. Currently she is on leave from the university and assigned to the Agency for International Development where she is coordinating U.S. and Japanese aid efforts. Dr. Pharr has written *Political Women in Japan* (Berkeley, CA: University of California Press, 1981).

Thomas P. Rohlen works as a consultant to various business organizations with personnel in Japan. He was a Foreign Service officer from 1962 to 1966, serving in Kobe-Osaka. Dr. Rohlen has written many articles and books on Japan. Two recent books are *For Harmony and Strength: Japanese Organization in Anthropological Perspective* (Berkeley, CA: University of California Press, 1975) and *Japanese High Schools* (Berkeley, CA: University of California Press, 1983).

Albert L. Seligmann is former Executive Director of the U.S.-Japan Advisory Commission. He has served in the Foreign Service since 1955. In 1955-1956 he took Japanese language and area training, serving in Kobe-Osaka and Tokyo. More recently he was Political Counsellor at Tokyo and Director of Japanese Affairs in the Department of State.

Thomas P. Shoesmith is currently Ambassador to Malaysia. He served as Deputy Assistant Secretary for East Asia from 1981 to 1983, responsible for U.S. policy toward Japan. A Japanese language officer, he has served at Fukuoka and Tokyo. He was Deputy Chief of Mission of the U.S. Embassy in Tokyo from 1972 to 1977.

Nathaniel B. Thayer is Professor of Asian Studies at the School of Advanced International Studies of Johns Hopkins University. A Ph.D. from Columbia University, he has long had close personal relationships with many of the current leaders of Japan. Dr. Thayer is author of *How the Conservatives Rule Japan* (Princeton, NJ: Princeton University Press, 1969).

Martin E. Weinstein is Professor of Political Science and Asian Studies at the University of Illinois. He is the author of *Japan's Postwar Defense policy, 1947-1968* (New york: Columbia University Press, 1971) and editor of *Northeast Asian Security after Vietnam* (Urbana, IL: University of Illinois Press, 1983).

Appendix II: Symposium Program

FOREIGN SERVICE INSTITUTE
Center for the Study of Foreign Affairs
and the School of Area Studies

SYMPOSIUM ON U.S.-JAPAN RELATIONS
Wednesday and Thursday, September 28-29, 1983

WEDNESDAY, SEPTEMBER 28

8:30 Coffee

9:00-9:45 INTRODUCTION

Chaired by: Leo J. Moser, Director, Center for the Study of Foreign Affairs

Welcome: Stephen Low, Director, FSI

Overview of U.S.-Japan Relations

Anthony C. Albrecht, Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs

9:45-12:15 UNDERSTANDING AND COMMUNICATING WITH THE JAPANESE

Chaired by: Hattie K. Colton, Assistant Dean, School of Area Studies

9:45-10:45	*Cultural and Social Determinants of Japanese Behavior*
Speaker:	Dr. Thomas P. Rohlen, sociologist
Discussant:	John R. Malott, Office of Japanese Affairs, Department of State
10:45-11:15	*Style of Decision-Making*
Speaker:	Dr. Herbert Glazer, American University
11:15-11:30	Coffee Break
11:30-12:15	*Japanese Negotiating Style.*
Speaker:	Donald S. Abelson, Office of the U.S. Trade Representative
Discussant:	Dr. Haruhiro Fukui, University of California at Santa Barbara
12:15-1:30	Lunch

1:30-4:15 UNDERSTANDING THE POLICY MAKING INSTITUTIONS

Chaired by:	Dr. George R. Packard, Dean, School of Advanced International Studies, The Johns Hopkins University
1:30-2:30	*Prime Minister and Bureaucracy*
Speaker:	Dr. Haruhiro Fukui, University of California at Santa Barbara
Discussant:	William T. Breer, FSO (Japan specialist)
2:30-3:15	*Parties, Factions, and Interest Groups*
Speaker:	Dr. Susan J. Pharr, AID and University of Wisconsin (on leave)
Discussant:	William T. Breer
3:15-3:30	Coffee Break
3:30-4:15	*Press and Public Opion in Japan*
Speaker:	Marshall R. Louis, Jr. USIA

THURSDAY, SEPTEMBER 29

9:00-12:15 ECONOMIC ISSUES

Chaired by:	Dr. Eleanor M. Hadley, George Washington University
9:00-10:00	*Unique Aspects of the Japanese Economic System*
Speaker:	Dr. Robert L. Innes, Economist
10:00-11:00	*Japan's Growing Role in the World Economy*
Speaker:	Dr. Dick Nanto, Congressional Research Service
Discussant:	McClellan A. Dubois, Economist
11:00-11:15	Coffee Break
11:15-12:15	*Hi-Tech and the Future of the Japanese Economy*
Speaker:	Justin L. Bloom, President of Technology International Inc. and former Science Counselor in Tokyo
Discussant:	Dr. Robert L. Innes, Economist
12:15-1:30	Lunch

1:30-3:00	POLITICAL AND MILITARY RELATIONS	
	Chaired by:	The Honorable Thomas P. Shoesmith, State
	1:30-2:15	*Defense-Related Issues*
	Speaker:	Col. John Endicott, National Defense University
	Discussant:	Maj. Joseph Flanz, Foreign Area Officer—Japan
	2:15-3:00	*Direction of Japanese Foreign Policy*
	Speaker:	Dr. Martin E. Weinstein, University of Illinois
	Discussant:	Dr. Nathaniel B. Thayer, School of Advanced International Studies
	3:00-3:15	Coffee Break
3:15-4:15	THE FUTURE OF U.S-JAPANESE RELATIONS	
	Chaired by:	The Honorable U. Alexis Johnson
	Discussant:	Thomas P. Shoesmith Herbert Levin, Policy Planning Staff, State

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The Center for the Study of Foreign Affairs, established in late 1982 as part of the Foreign Service Institute, provides a facility for Foreign Service officers to reflect on their experience and to work on research projects.

The Center regularly organizes symposia on issues related to conflict resolution, science and technology and foreign affairs, U.S. bilateral relations, international economics, and other vital subjects. These symposia feature Foreign Service officers, State Department officials, academics, and individuals from the private sector—people who have first hand knowledge of the issue or who have studied it extensively.

The proceedings of several of these symposia have been published by the Center along with works produced by individual scholars or Foreign Service officers who have carried out research at the Center. These publications are provided without charge to institutions and individuals upon request. Current titles are listed below.

How To Be a Delegate by John W. McDonald, Jr., 1984

Science, Technology and Foreign Affairs; Global Environment, Communications, and Agriculture, edited by Diane B. Bendahmane and David William McClintock, 1984.

Multinational Peacekeeping in the Middle East by Frank Trinka and Robert Houghton, 1985.

International Negotiation: Art and Science, edited by Diane B. Bendahmane and John W. McDonald, Jr., 1984.

Science, Technology, and Foreign Affairs: Climate, Scientific Dialogue and Health, edited by Diane B. Bendahmane and David William McClintock, 1985.

Robotics and Foreign Affairs edited by David Morrison, 1985.

The New JEWEL Movement: Grenada's Revolution, 1979–1983 by Gregory W. Sandford, 1985.

Perspectives on Negotiation: Four Case Studies and Interpretations, edited by John W. McDonald, Jr., and Diane B. Bendahmane, 1986.

New Dimensions in Foreign Economic Policy, edited by Ernest H. Preeg and Diane B. Bendahmane, 1986.

The United States and Japan: Toward a Better Understanding, edited by Leo J. Moser and Diane B. Bendahmane, 1986.